B.C. Cruise Ship Industry

Development Strategy

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EXECUTIVE SUMMARY

A. PURPOSE OF THE STUDY

Three distinct reports have been prepared to meet the study objectives. The purpose of this report is to outline a development strategy for the B.C. cruise ship industry and to increase the awareness of the development potential of the cruise ship industry among representatives of B.C. ports.

The purpose of the second report is to increase the awareness of B.C. ports and marine destinations among cruise ship companies. The second report is entitled B.C. Ports And Cruise Destinations and is intended to be distributed to cruise lines that currently or could potentially offer cruises in B.C.'s coastal waters. In order to provide a more detailed description of the legislation impacting on the cruise ship industry, a third report entitled Review of Legislation of the B.C. Cruise Ship Industry has also been prepared.

B. DESCRIPTION OF CRUISE SHIP INDUSTRY

The major characteristics of the cruise ship industry are as follows:

1. The total number of cruise passengers that embarked from major cruise destinations in the world has increased by approximately 11.9% per year from 1.58 million passengers in 1981 to an estimated 2.71 million passengers in 1987.

2. The greatest area of growth in the cruise industry has occurred in North America.

   Cruise ship passengers embarking from North America in 1987 accounted for 86% of the total number of cruise passengers in the world.

3. The Caribbean is the most popular cruise destination in the North American market.

The Caribbean accounted for 34.7% of the total number of passengers handled in 1986 by cruise lines belonging to the Cruise Lines International Association (CLIA).

The next most popular destinations in 1986 were the Bahamas (20.4%) and Mexico (13.2%). Alaska was the fourth most popular destination and accounted for 6.7% of all cruise passengers handled by CLIA member cruise lines in 1986.

4. According to the Cruise Lines International Association, the total revenues earned by its member lines in 1987 are estimated to have been $5 billion ($U.S.).

5. In 1987, there were a total of 118 cruise ships in the world that provided a total of 80,700 berths for cruise passengers.

6. In order to meet the strong growth in demand, the industry is currently accelerating its rate of capacity expansion.

   There are a total of 23 ships on order. These new ships will provide an additional 19,700 berths, thereby increasing berth capacity by 24%.

7. The overall outlook for the cruise industry appears promising.

   The major factors contributing to the optimistic outlook for the cruise industry are as follows:

   a. Only 5% of North Americans have ever taken a cruise.

   b. Cruise demonstrate the highest satisfaction level of all vacation types.

c. The recent decline in the buying power of the U.S. dollar and the current political unrest in other countries such as the Middle East have motivated Americans to take vacations in their own country.

d. Cruises have an all inclusive price and are simple and convenient for the consumer to purchase.

e. Cruises represent good value when compared to other vacations.

f. Due to large advertising budgets of cruise lines, the awareness and interest in cruising by North American consumers is increasing and will continue to increase.

g. Cruises are the most profitable travel product for a travel agent to sell.

Due to the higher profitability of cruises, travel agents are more motivated to sell cruises than other vacation products.

The Cruise Lines International Association has projected that the cruise industry in North America will grow by 14% per year over the next five years.

C. CHARACTERISTICS OF B.C./ALASKA CRUISE MARKET

Our major findings regarding the characteristics of the B.C./Alaska cruise market are as follows:

1. The cruise ship traffic in B.C. is presently based almost entirely on Alaska as the primary destination.

2. The direct economic benefits of the B.C./Alaska cruise industry tc Canada are estimated to range between $66.4 to $85.3 million ($Cdn.)

   Cruise passenger expenditures are estimated to range from $30.3 to $43.6 million ($Cdn.). The balance of economic impacts result from provision of goods and services such as bunkering, provisioning, pilotage, moorage, port charges, and repairs and maintenance.

3. The outlook for the Alaska cruise market is optimistic due to the following factors:

   a. As the overall cruise ship industry expands, it will create a larger population of experienced cruisers which is the primary market for B.C./Alaska cruises.

   b. The aging of the North American population will result in an increase in the number of potential customers for the Alaska market which caters primarily to an elderly clientele.

   c. The B.C./Alaska cruise is presently one of the most profitable cruise destinations.

   d. There is a high degree of passenger satisfaction with B.C./Alaska cruisers.

Based on the industry representatives contacted, the B.C./Alaska cruise market, in terms of the number of passengers handled, is projected to grow at a rate of about 6% per year over the next five years.

D. SUITABILITY OF B.C. PORTS AS GATEWAY PORTS

At the present time, Vancouver is the only gateway port in B.C. for large cruise vessels while Prince Rupert is a gateway port for the smaller Alaska bound vessels. Based on the criteria established by cruise lines for gateway

ports, most ports in B.C., other than Vancouver, are not presently able to meet the requirements of large cruise vessels. The major constraint facing most B.C. ports is the lack of sufficient air access to meet the large volume of passengers that must be handled in a very short period of time.

Vancouver, however, competes with Seattle as a southern gateway port for B.C./Alaska cruises. The major strengths of Vancouver as compared to Seattle as a gateway port for Alaska cruises are as follows:

1. The current Passenger Shipping Act prevents foreign flag cruise lines from undertaking one-way trips to Alaska from other U.S. ports.

2. Vancouver has greater appeal to Alaska cruise passengers than Seattle.

3. Vancouver is closer to Alaska than Seattle, thereby reducing fuel costs and sailing time.

4. The provision of a foreign port in the cruise itinerary is viewed as a positive marketing feature of the Alaska cruise.

5. The new terminal facilities in Vancouver are unique and more aesthetically pleasing compared to most other U.S. ports on the West Coast.

The major constraints of Vancouver as a gateway port are as follows:

1. There is the lack of sufficient and economical air links at the Vancouver International Airport.

2. Considerable pressure is being exerted by U.S. ports and Alaska to modify the Passenger Shipping Act.

3. There exists concerns by cruise lines over the lack of sufficient capacity at the new Canada Place cruise ship terminal in Vancouver at peak periods.

4. There exists a number of bottlenecks in the current layout of the Canada Place Cruise Terminal.

5. The expanded definition of "coasting trade" contained in the proposed Bill C-52 would result in an increase in the excise duty and the degree of licencing required by foreign flag vessels used for Alaska cruises.

   All foreign vessels less than 250 passengers would be required to obtain an annual licence. This licence, however, would be granted only if Canadian vessels are not available. In addition, there are indications that the Ministry of Finance may enforce the payment of duty on cruise vessels that make round trip cruises from Vancouver to Alaska.

6. Due to the change in the definition of the "coasting trade" proposed in Bill C-52, regulations CRC 1451 and 1452 of the Canadian Shipping Act would be extended to foreign flag vessels, thereby increasing the current operating costs of vessels used for B.C./Alaska cruises.

   CRC 1452 stipulates that foreign-flag vessels used for Alaska cruises will have to comply with Canadian Ship Safety standards. In addition, CRC 1451 requires that Alaska vessels carry Commonwealth certificated officers for some positions and at least two Canadian engineers on board.

7. Bunker fuel and diesel fuel prices are higher in B.C. than in the U.S. due partially to a provincial sales tax on fuel.

At the present time, the advantages of Vancouver as a gateway port appear to outweigh the disadvantages. The major threat facing Vancouver consists of

changes to the Passenger Shipping Act which would intensify the degree of competition between Seattle and Vancouver as gateway ports. Prince Rupert faces a similar threat from Alaska gateway ports if the Passenger Shipping Act is modified. The current consensus, however, is that the Passenger Shipping Act is not likely to be modified in the short-term due to the strong opposition to change by the maritime unions.

E. ADDITIONAL B.C. PORTS OF CALL FOR ALASKA CRUISES

A summary of the overall strengths and weaknesses of B.C. ports as additional ports of call for Alaska luxury cruise ships is provided below:

Strengths

1. Ports such as Vancouver and Victoria can offer an urban experience to complement the wilderness experience of the Alaska cruise.

2. B.C. ports can provide a "foreign" experience to passengers.

3. B.C. ports can provide active excursions (e.g., fishing and golfing) to complement the passive excursions in Alaska.

4. B.C. ports also have unique aspects such as an Indian heritage that are of interest to cruise passengers.

Constraints

1. The ports on the southern B.C. coast are not positioned logistically for short, seven day cruises to Alaska because they are located too close to the embarkation port of Vancouver.

2. There are insufficient on-shore attractions and tours, especially in most northern B.C. ports, to meet the needs of cruise passengers.

3. Alaska is the primary destination for cruise passengers and they are mainly interested in Alaskan ports of call.

4. The reputation of B.C. ports, other than Vancouver and Victoria, is not sufficiently known to North American cruise passengers.

5. The level of awareness of most cruise lines regarding the unique features of B.C. ports is low.

6. The two major luxury cruise lines serving the Alaska market, Holland American and Princess, have extensive ownership interests in land-based tour companies and on-shore attractions in Alaska. As a result, these cruise lines are reluctant to divert the present traffic from their land based attractions in Alaska to B.C. ports.

In summary, the opportunities in the short-term to obtain additional B.C. ports of call from cruise vessels currently serving the luxury Alaska market are limited. The major constraints that must be overcome are the lack of awareness of B.C. ports and the focus on Alaska as the primary destination.

In the long term, however, there exists opportunities to participate in the current Alaska luxury market segment if the awareness and appeal of B.C. ports is increased. As the overall cruise market expands and matures, there will be a need to establish more diversified and varied itineraries. Consequently, the timing is appropriate for B.C. ports to embark on a marketing and development program now to penetrate the growing luxury market segment.

F. PRE AND POST CRUISE TOUR OPPORTUNITIES

The opportunities to increase the sale of pre and post tours in B.C. to Alaska cruise passengers are as follows:

1. The current trend in the overall cruise industry is to offer a combined cruise and land package.

The major advantages to be gained from offering a cruise plus land combination are as follows:

a. A combined land and cruise package caters to the growing preference of the consumer for a multi-destination experience.

b. By adding a land tour, a larger potential market is tapped because the demand for land packages is different from, and considerably greater than, the current demand for cruise packages.

c. A combined cruise plus land package is all-inclusive and, therefore, convenient for consumers to purchase.

2. A considerable opportunity exists to increase the current number of pre and post cruise tours sold in B.C.

   Approximately 86% of the cruise lines contacted indicated that there was either some or lots of potential to increase the sales of pre and post cruise tours for cruise passengers embarking from Vancouver.

3. The cruise lines contacted indicated that the greatest potential is to increase the sales of a combined Vancouver/Victoria package.

In summary, there is an immediate opportunity to capitalize on the existing Alaska/B.C. cruise market by increasing the number and type of pre and post cruise tours sold in B.C. While the initial demand is primarily for tours in Vancouver, Victoria and the Rockies, there also exists potential in the long-term to sell tours to other destinations in B.C.

G. OPPORTUNITIES FOR CRUISES BASED SOLELY IN B.C.

Our major findings regarding the potential to establish cruises based solely on B.C. as the cruise destination are summarized below:

"Mini" or Economy Cruises

1. The general consensus of the major cruise lines in North America is that B.C., as a cruising destination, is not sufficiently well known to Americans at this time to function alone as a cruise destination for large vessels.

2. These cruise lines, however, indicated that there may exist potential for a 3 to 4 day Seattle/B.C. cruise in the short to medium term.

"Pocket" or Adventure Cruises

3. A number of the pocket cruise lines contacted indicated that potential exists to establish cruises based on the extensive fjord system along B.C.'s coast and the Queen Charlotte Islands.

4. The major target markets for pocket or adventure cruises in B.C. waters are California, Southeastern U.S., U.S. Pacific Northwest and Western Canada.

As indicated above, there appears to exist market potential in the short to medium term to establish cruises based solely in B.C. waters. The most immediate opportunity is to establish adventure cruises using pocket vessels.

The development of cruise vessels solely in B.C. could be undertaken using foreign flag vessels or Canadian flag vessels. At the present time, however, there appear to exist a number of economic and legislative constraints to the use of either foreign-flag vessels or Canadian-flag vessels as shown below:

Foreign-Flag Vessels

1. Bill C-52, as proposed, does not provide long term security of access to smaller foreign-flag vessels wishing to undertake cruises solely in B.C.

   Foreign-flag vessels of less than 250 berths can only obtain an annual licence to operate in B.C. subject to the lack of availability of Canadian-flag vessels. As a result, foreign-flag pocket vessels wishing to establish cruises in B.C. are being forced to use U.S. gateway ports.

2. Another constraint to foreign-flag pocket vessels wishing to offer cruises in B.C. is the high cost of pilotage fees on a per passenger basis.

3. A third constraint to attracting foreign-flag vessels to B.C. is the high cost of repositioning the vessels to warmer destinations in the off-season.

Canadian-Flag Vessels

1. The Canadian standards of ship construction and maintenance are higher than those applied to foreign-flag vessels, and thereby result in higher capital and operating costs.

2. Canadian wages are higher than the wages paid on most foreign-flag vessels.

3. Due to higher operating costs, it would be difficult for a Canadian flag-vessel to compete with foreign-flag vessels in the off-season when the vessel is redeployed to destinations outside of Canada.

4. It is difficult for Canadian companies to obtain public or private financing for the purchase or construction of cruise vessels.

TABLE I

DEVELOPMENT STRATEGY FOR B.C. PORTS

Port	Target Markets		Development Priorities		
	Primary	Secondary	Port Promotion	Tours and Attractions	Port Facilities
Port Hardy	Alaska luxury cruises embarking from U.S. ports Adventure Cruises	Alaska luxury cruise embarking from Vancouver Economy cruises	1	2	3
Alert Bay	Alaska luxury cruises embarking from U.S. ports Adventure Cruises	Alaska luxury cruises embarking from Vancouver	1	2	3
Campbell River	Alaska luxury cruises embarking from U.S. ports Adventure Cruises	Alaska luxury cruises embarking from Vancouver Economy cruises	1	3	2
Nanaimo	Alaska luxury cruises embarking from U.S. ports Economy Cruises	Alaska luxury vessels embarking from Vancouver Adventure Cruises	1	2	3
Victoria	Alaska luxury cruises embarking from U.S. ports	Alaska economy cruises embarking from Vancouver Economy cruises	1	3	2
Vancouver	Alaska luxury cruises embarking from B.C.	Alaska cruises embarking from from U.S. ports	1	2	3
New Westminster	Economy cruises Adventure cruises	Alaska cruises embarking from B.C.	1	2	3
Powell River	Alaska luxury cruises embarking from U.S. ports Adventure cruises	Economy cruises Alaska cruises embarking from Vancouver	1	2	3
Squamish	Adventure cruises	Economy cruises Alaska luxury cruises	1	3	2
Bella Bella	Adventure cruises	Alaska luxury cruises embarking	1	2	3
Kitimat	Adventure cruises	Alaska luxury cruises	1	2	3
Stewart	Adventure cruise	Alaska luxury cruises	1	2	3
Prince Rupert	Adventure cruises	Economy cruises	1	3	2
Queen Charlotte Islands	Adventure Cruises	Alaska luxury cruises	3	2	1

The marine legislation in Canada has been designed to protect Canadian-flag vessels. However, given the higher operating costs and lack of success of Canadian flag vessels in the past, a detailed viability study of Canadian-flag vessels must be undertaken to determine whether there is a need for legislation to protect Canadian-flag vessels.

In order to accelerate the rate of development of the cruise ship industry in B.C., the development of cruises using both foreign-flag and Canadian-flag vessels should be promoted. Canadian marine legislation must recognize that the cruise industry is international in nature and that ships must be deployed in different ports of the world at different times in the year. As a result, cruise ships that operate in B.C. during the summer season must also be able to operate viably in other parts of the world for the remainder of the year if they are to compete in the international marketplace. Consequently, the focus of marine legislation in Canada must be amended:

1. To allow Canadian-flag vessels to operate viably in Canadian as well as foreign destinations.

2. To enable foreign-flag vessels to operate viably in Canada on a seasonal basis.

H. DEVELOPMENT STRATEGY

A summary of the development strategy that should be employed by each B.C. port is provided in Table I. The primary and secondary target market for each port is identified. In addition, we have indicated the specific development priorities for each port.

As indicated in Table 1, highest priority should be given to the promotion of B.C. ports while the development of tours and attractions of interest to cruise passenger is the second priority. For most B.C. ports, therefore, the improvement of port facilities should be a low priority because most cruise

lines, even larger vessels, can anchor nearby and lighter their passengers ashore if there exist sufficient attractions for their passengers.

The following paragraphs summarize the steps comprising the development strategy required by B.C. ports to capitalize on the cruise ship industry in B.C.:

1. Increase the number of pre and post tours sold in B.C.

The major steps required to increase the current number of pre and post cruise tours sold in B.C. are as follows:

1.1 A directory of B.C. pre and post cruise tours should be developed.

1.2 An aggressive marketing effort should be undertaken by C.I.A.B.C. to increase the sale of pre and post tours.

Accordingly, the directory of B.C. pre and post cruise tours should be sent by C.I.A.B.C. to each cruise line currently serving the Alaska market.

1.3 The directory of pre and post cruise tours should also be sent to all travel agents in North America that specialize in cruise packages sales.

The benefits to be achieved are substantial. As an illustration, if 20% of the expenditures of $80.4 million by cruise passengers on pre and post tours in Alaska in 1986 could be diverted to B.C., the incremental tourism revenues would be approximately $16 million.

2. Retain the dominance of B.C. ports as gateway ports for Alaska cruises.

The approach required should be to ensure that the shift to a U.S. gateway port for the Alaska season would be an unattractive proposition

even with the legislative prohibition lifted. The specific steps that should be undertaken to retain the Alaska cruise industry by the B.C. gateway ports of Vancouver and Prince Rupert are as follows:

Vancouver

2.1 Increase the degree of service to cruise lines by resolving the peaks in berth usage and air lift capacity that occur in Vancouver during the weekends.

Some alternative methods of resolving this problem are:

a. Increase the promotion of pre and post cruise tour packages to disperse the arrival and departure of passengers.

b. Provide additional berth capacity at the Port of Vancouver.

c. Increase the current air lift capacity of the Vancouver International Airport.

2.2 Ensure that the charges of the Port of Vancouver remain competitive with Seattle.

2.3 Maximize the competitive advantage of Vancouver through the maintenance and development of high-quality terminal and tourist infrastructure facilities.

2.4 Provide an opportunity for the cruise lines to become functionally and commercially involved in the infrastructure so that a change of port would be operationally and commercially disruptive for them.

This could be achieved by encouraging the ownership of pre and post cruise tour operations and facilities in B.C. and the negotiation of long term terminal lease and operating contracts with the Port of Vancouver.

2.5 Increase the recognition and acceptance by port management of the role of the Chamber of Shipping of British Columbia and the Northwest Cruise-Ship Operators Association.

Prince Rupert

2.6 Consideration should be given to establishing berthage in closer proximity to the downtown area.

2.7 The extent and diversity of on-shore attractions must be increased.

2.8 Port charges should remain competitive with Alaska ports.

2.9 Encourage the ownership by cruise lines of pre and post cruise tour facilities in Prince Rupert and the negotiation of long term lease and operating contracts for port facilities.

2.10 Increase the awareness and receptivity of the community to the benefits of the cruise ship industry.

The legislative and regulatory changes that must be undertaken to protect the existing Alaskan cruise ship traffic for B.C. gateway ports are as follows:

2.11 Action must be undertaken immediately to amend the proposed Bill C-52.

The amendment required to Bill C-52 should allow for a geographical exemption from the licensing procedures for foreign-flag cruise vessels and non-duty-paid Canadian vessels in B.C. A comparable exemption from excise duty and taxes should also be sought.

2.12 In order to prevent significant increases in current operating costs, regulations CRC 1451 and 1452 of the Canada Shipping Act should be amended to ensure that they will not apply to B.C./Alaska cruises which were not previously subject to these provisions.

These amendments should ensure that Alaska cruise vessels will not have to meet Canadian ship safety standards or have to carry two Canadian engineers on board.

2.13 If a change in the Passenger Shipping Act is imminent, the provincial tax on bunker fuel oil for international trade vessels should be eliminated.

2.14 On behalf of B.C. ports, the Cruise Industry Association of B.C. should be responsible for initiating the changes required to the existing and proposed marine legislation in Canada.

2.15 The Cruise Industry Association of B.C. should also be responsible for monitoring changes in Passenger Shipping Act and other U.S. maritime legislation.

3. Increase the number of B.C. port of calls by Alaska cruise vessels.

The key factor to increasing the number of B.C. ports of call by Alaska cruise passengers is to increase the awareness and appeal of B.C. ports by the American public. The sequence of steps required for B.C. to capitalize on the existing Alaska cruise market are as follows:

General

3.1 The level of awareness of cruise lines regarding the unique features of B.C. ports must be increased.

Accordingly, the manual of B.C. Ports and Cruise Destinations that is currently being prepared should be distributed to all major cruise lines based in North America. In addition to this manual, which is factual and descriptive in nature, a more sales-oriented booklet providing visual descriptions of B.C. ports should be prepared and sent simultaneously to the cruise lines.

3.2 An aggressive marketing effort should be undertaken by the Cruise Industry Association of B.C. (C.I.A.B.C.) to increase the number of B.C. port of calls by Alaska cruise vessels.

The marketing of B.C. ports should be undertaken by C.I.A.B.C. rather than the ports individually in order to maximize the efficiency and reduce the costs of a promotion program. The major components of the marketing program that should be undertaken by C.I.A.B.C. are as follows:

a. The most effective method of promoting B.C. ports is for the C.I.A.B.C. to contact the cruise lines directly through personal visits and telephone contacts.

b. C.I.A.B.C. regularly should attend cruise industry trade shows such as the annual Seatrade Cruise Shipping Conference.

3.3 In order to increase the awareness of B.C. ports, an advertising and promotion campaign must be initiated by C.I.A.B.C.

The most effective means of increasing the awareness of B.C. ports are as follows:

a. Develop and distribute a brochure of B.C. ports to all travel agents in North American that specialize in selling cruises.

b. Develop a video to be shown on all cruise ships that currently travel to Alaska.

c. Increase the references made to B.C. cruising areas (such as the extensive fjord system in B.C.) in the general image advertising undertaken by Tourism B.C.

Luxury Market

3.4 In order to increase the number of B.C. port-of-call visits made by the Alaska luxury cruise vessels, greater emphasis should be devoted to contacting and promoting cruise lines, other than Holland America and Princess, that do not have extensive ownership interests in Alaska land-based attractions and tour operators.

3.5 In order to encourage cruise lines such as Holland America and Princess Tours to utilize B.C. ports of call, joint ventures to establish and operate on-shore excursions should be proposed to these cruise lines.

As an illustration, the participation of one of these two cruise lines in the ownership and development of the

fishing museum in Prince Rupert is an example of a joint venture that could be proposed to encourage these cruise lines to add Prince Rupert as a port of call.

3.6 Top priority should also be given to promoting B.C. ports to new cruise lines that have just recently, or are considering, entering the Alaska cruise market because they have not yet established a fixed itinerary for their cruises.

3.7 For cruise lines that offer seven-day round trip or one-way Alaska cruises embarking from Vancouver, greatest emphasis should be placed on offering ports in northern B.C. as a replacement for Alaskan ports because they are positioned more strategically along the route than ports in southern B.C.

3.8 The major targets markets that should be promoted for southern B.C. ports are the following:

a. Alaska cruises embarking from Vancouver that offer cruise longer than seven days because more time is available to add a B.C. port.

b. Alaska cruises embarking from San Francisco and Seattle because southern B.C. ports are strategically positioned along their route.

The ports in southern B.C. that presently cater to this market are Vancouver, Victoria and Port Hardy. However, other ports such as Nanaimo, Alert Bay, Powell River and Campbell River could potentially serve this market segment.

3.9 In order to penetrate the Alaska luxury market, the primary emphasis of B.C. ports should be to develop additional tours and on-shore attractions rather than improving berthing facilities.

The existence of on-shore attractions are one of the most important factors utilized by cruise lines in the luxury market segment to select ports of call. The specific steps that should be taken by B.C. ports in order to cater to the needs of cruise lines, are as follows:

a. The establishment of a welcoming committee in each port to greet each cruise ship.

b. The development of at least five tours in each port that cruise passengers can take.

c. The extension of opening hours of retail shops, restaurants and attractions in the port to correspond with visits of cruise ship passengers.

d. The establishment of a central contact in the community to coordinate the tours and attractions and to liaise with the cruise lines.

e. The publication and distribution of brochures to cruise passengers of things to see and do in the community.

f. The development of local entertainment such as dancers, singing performances, and contests (e.g., ball games) to make cruise passengers feel welcome in the community.

3.10 The charges of B.C. ports should remain competitive with Alaska ports.

Adventure Cruises

3.11 In order to expand the adventure segment of the Alaska cruise market, top priority should be placed on a attracting additional adventure cruise lines to be based in B.C. ports.

3.12 The major features of B.C. that should be employed to promote the adventure cruise market are as follows:

a. Queen Charlotte Islands.

b. B.C. northwest mainland fjord system near Bella Bella and Desolation Sound.

c. Extensive wildlife and marine life.

d. Native heritage.

e. Activities such as hiking, golfing, fishing, scuba diving, and horseback riding.

3.13 High priority should be given to promoting the northern ports in B.C. to this market segment because they are close to Alaska which is the primary destination for adventure cruises.

3.14 The Queen Charlotte Islands should be developed as key attraction for the Alaska adventure cruise market.

Due to the restrictions and difficulties in establishing a land-based tourism infrastructure in the Queen Charlotte

Islands, small cruise ships represent one of the most appropriate methods of providing tourists with an opportunity to experience areas such as the South Morseby area.

4. Establish cruises based solely in B.C. waters.

The steps required to initiate the development of cruises based solely in B.C. waters are as follows:

Pocket or Adventure Cruises

4.1 One of the most immediate opportunities in the B.C. cruise industry is to promote the development of pocket or adventure cruises solely in B.C. waters.

4.2 In order to promote the development of B.C.-based cruises, the awareness of destinations in B.C. by cruise lines that own small vessels must be increased.

4.3 The major target market for B.C.-based pocket or adventure cruises is California while secondary markets are the southeastern U.S., U.S. Pacific Northwest, and Western Canada.

Economy Cruises

4.4 In the medium term, the development of three or four day "mini" Seattle/B.C. economy cruises should be encouraged.

To do so, the manual entitled B.C. Ports and Cruise Destinations should be sent to all cruise lines that currently offer such cruises in other areas of North America as well as cruise lines that will have excess ships once their new ships are completed.

4.5 The major target market for the three to four day Seattle/B.C. cruise is the population within two hours flying time of the embarkation port.

In order to accelerate the development of the market for cruises based solely in B.C. waters, it will be necessary to encourage both Canadian and foreign flag vessels to operate in B.C. waters. The specific steps required to assist Canadian flag vessels to undertake cruises in B.C. waters are as follows:

Canadian-Flag Vessels

4.6 A detailed viability study of Canadian-flag cruise vessels should be undertaken in order to determine whether there is a need to continue with legislation to protect Canadian-flag vessels.

This viability analysis should include the following components:

a. The comparative cost of a new cruise vessel built in Canadian and overseas ship yards.

b. The comparative costs and viability of a duty-paid Canadian-flag cruise ship.

c. The comparative costs and viability of a non-duty-paid Canadian-flag cruise ship.

As part of the above study, it is recommended that an assessment be made of the comparative costs and viability of operating a cruise vessel under the Canadian second register proposal (presently under investigation by Transport Canada). This proposal seeks to establish a

second registry whereby Canadian ships in international trade would be allowed to operate in a tax-exempt environment.

4.7 If the study indicates that Canadian flag vessels are viable for B.C. cruises, greater attention must be given to providing financing for the purchase of cruise vessels by Canadian companies.

4.8 In order to reduce the capital costs of ship modifications, Transport Canada should accept international marine standards of structural fire protection for foreign vessels that are being purchased for use as Canadian-flag vessels.

4.9 Transport Canada should allow internationally recognized classification societies to perform surveys in other countries for Transport Canada on an agency basis to facilitate the purchase of foreign-flag vessels for transfer to Canadian registry.

In order to encourage foreign-flag vessels to operate cruises solely in B.C. waters, the legislative and regulatory changes required are as follows:

Foreign-Flag Vessels

4.10 The Pacific Pilotage Authority should be requested to develop a method to reduce the pilotage charges for small cruise vessels. This change would facilitate the development of the adventure cruise segment of the industry.

4.11 In order to encourage foreign vessels to use B.C. gateway ports for B.C. cruises, immediate attention must be given to amending Bill C-52 before it is proclaimed.

The amendment required is a geographical exemption from the licencing procedures for foreign-flag cruise vessels and non-duty-paid Canadian vessels in B.C. A comparable exemption from existing duty and taxes should also be obtained.

4.12 The Department of Employment and Immigration should amend the existing employment regulations to allow foreign-flag vessels that are seasonally based in B.C. waters to employ non-Canadian labour.

Provision should be made, however, for the first right-of-access for Canadians to these positions but at the prevailing wage rates and conditions on-board foreign-flag vessels.

4.13 The concept of operating a foreign-flag cruise vessel under Canadian ownership within the International Shipping Corporation concept, as recommended by the Sletmo Task Force, should be considered. This concept provides tax-exempt status for Canadian companies established to own and operate foreign-flag vessels in international trade.

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Appendix I: List of Cruise Lines

I. INTRODUCTION

A. PURPOSE OF THE STUDY

The three major objectives of this study are:

1. To prepare a development strategy to foster the growth of the cruise industry in B.C.

2. To increase the awareness of ports of the development potential in the cruise ship industry.

3. To increase the awareness of cruise ship companies of B.C. ports and marine destinations.

Three distinct reports have been prepared to meet the above objectives. This report contains our findings and conclusions regarding the first two objectives of the assignment. The purpose of this report, therefore, is to prepare a development strategy for the B.C. cruise ship industry and to increase the awareness of the development potential of the cruise ship industry among representatives of B.C. ports.

The second report addresses the third objective of the study which is to increase the awareness of B.C. ports and marine destinations among cruise ship companies. The second report is entitled B.C. Ports And Cruise Destinations and is intended to be distributed to cruise lines that currently or could potentially offer cruises in B.C.'s coastal waters. In order to provide a more detailed description of the legislation impacting on the cruise ship industry, we have prepared a third report entitled a Review of Legislation of the B.C. Cruise Ship Industry.

B. SCOPE OF THE STUDY

In order to undertake the study, we first conducted an extensive review of the previous studies and literature on the cruise ship industry. A bibliography

of the information sources that have been utilized is provided at the end of the report.

In order to determine the existing cruise ship traffic patterns on the B.C. coast, we obtained the available statistics from the Port of Vancouver and Westcan Terminals. We also contacted cruise lines currently offering cruises in B.C. waters to obtain information on the types of cruises offered, trip destinations, passenger characteristics and their future plans for the B.C./Alaska market.

The focus of our study has been on cruises that last longer than one day. In addition, we have not investigated the potential for cruises offered by very small vessels such as those provided by yacht charters.

To determine the legislative and regulatory implications of developing the cruise ship industry in B.C., we collected copies of the relevant legislation from the provincial and federal governments in Canada as well as the United States government. From these documents, we reviewed the legislation on the following topics: cabotage; employment; ship construction and operation; security; fuel; pilotage; duty and sales taxes. We also conducted interviews with the government departments responsible for the development and implementation of each piece of relevant legislation. Based on the information obtained, we developed recommendations regarding the changes required to the existing legislation to improve the development climate for the B.C. cruise ship industry.

In order to assess the potential for B.C. coastal communities as ports of call for the B.C./Alaska cruise industry, we conducted interviews with representatives of all of the cruise lines that presently offer cruises to Alaska. From these interviews, we determined the potential to expand the current trip itinerary to include B.C. ports. We also determined the specific criteria used by cruise ship companies to select stop-over points for B.C./Alaska cruises. In order to determine the potential to increase the current traffic, we also contacted all other major cruise lines operating in

North America to determine their degree of interest and intentions to offer cruises in B.C. waters.

In order to facilitate interviews with cruise line representatives, we attended the Seatrade Cruise Shipping Conference in Miami on February 23 - 25, 1988. During this conference, we were successful in speaking to a large number of cruise line industry representatives. The remainder of cruise lines were interviewed by telephone.

In addition to the cruise lines that operated large ships, we conducted interviews with most of the companies in North America that own and operate smaller-sized vessels in order to determine the market for adventure or pocket cruises. From each of these interviews, we determined the current degree of success in operating pocket cruises and the degree of interest in initiating pocket cruises in B.C. coastal waters.

In order to determine the capability of B.C. ports to meet the criteria of cruise lines, we conducted an extensive investigation of the port facilities in B.C. The specific ports selected by the study Sub-Committee to be investigated are as follows:

- Vancouver
- Victoria
- Prince Rupert
- Port Hardy
- Alert Bay
- Bella Bella
- Queen Charlotte Islands
- Nanaimo
- Campbell River
- Kitimat
- Howe Sound (Squamish/Whistler)
- Stewart
- Powell River
- New Westminster

We contacted the local port representatives at each port as well as other community representatives in order to obtain the following information:

- Port capabilities
- Tours and attractions
- Specific themes of interest
- Other types of activities that could be undertaken by cruise ship passengers
- Names and addresses of individuals to contact to arrange a port of call visit

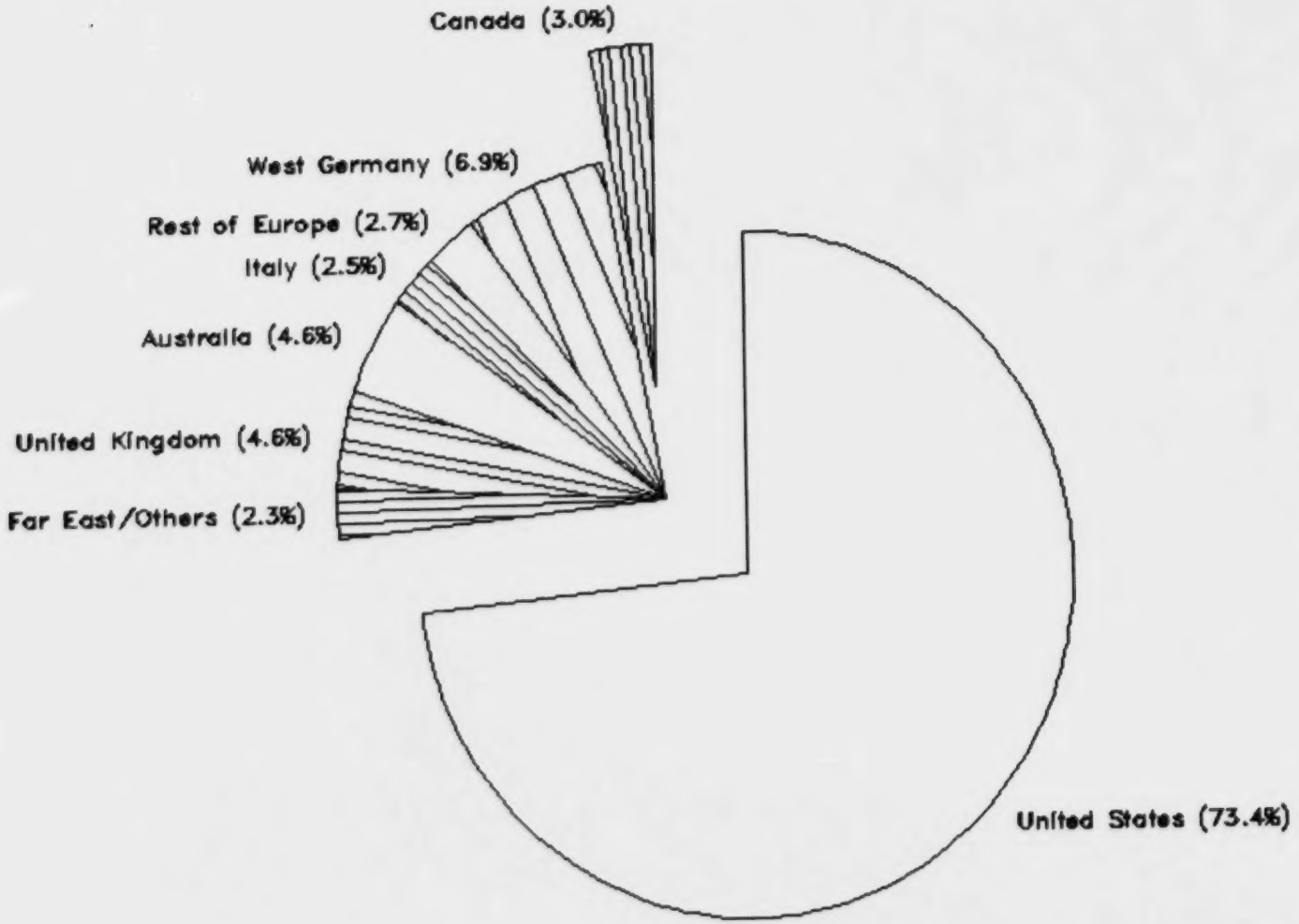
To determine the B.C. ports that meet the requirements of cruise lines, we compared the findings of our survey of B.C. ports with the criteria established for port of calls by cruise ship companies. Based on this analysis, we determined the strengths and constraints of B.C. ports and the likelihood of increasing the current number of ports of call of cruise ships destined for Alaska. We also prepared a development strategy indicating the sequence of steps required to foster the growth of the cruise industry in B.C.

C. REPORT OUTLINE

The following chapter provides a description of the cruise ship industry in North America. Chapter III indicates the size and characteristics of the existing cruise ship industry in B.C. Chapter IV indicates the criteria used by cruise lines for selecting B.C. ports of call and the opportunities to increase the number of B.C. ports of call of cruise ships travelling to Alaska. Chapter V contains our findings regarding the opportunities to capitalize on the cruise ship industry through the sale of pre and post cruise excursions and Chapter VI indicates the potential for the development of cruises based solely in B.C. coastal waters.

TABLE 2.1

CRUISE PASSENGERS BY COUNTRY



Source: Cruise Shipping '86 - A Seatrade Conference

II. CRUISE SHIP INDUSTRY IN NORTH AMERICA

The following paragraphs contain a description of the current size and characteristics of the cruise ship industry in North America. In addition, this chapter indicates the overall trends affecting the cruise industry and the implications for British Columbia.

A. SIZE OF CRUISE SHIP MARKET

1. Origin of Cruise Passengers

More than 2 million people worldwide take a cruise each year. These passengers travel on one of over 100 cruise vessels operated by approximately 50 major passenger vessel owners. As a result, the cruise business is an important segment of the shipping industry and the only one, other than ferries, specifically geared to the movement of people rather than cargo.

As indicated in Table 2.1, passengers from the United States accounted for 73.4% of all cruise customers in 1985. In that year, a total of 1.6 million Americans took cruises in North America and other parts of the world. Europeans accounted for the second largest proportion of cruise ship customers with the balance made up primarily from Australia, the Far East and Canada. Approximately 65,000 Canadians took cruises in 1985 accounting for 3% of the world cruise market.

2. Destination of Cruise Passengers

The overall demand for cruises has increased considerably since 1981. As shown in Table 2.2, the total number of persons that embarked from major cruise destinations increased by approximately 9.4% per year from 1.58 million passengers in 1981 to an estimated 2.71 million passengers in 1987. The statistics reported in Table 2.2 may understate the current number of cruise passengers. As a comparison, the Cruise Lines Industry Association (CLIA) which consists of most of the major cruise lines in North America reported

TABLE 2.2

NUMBER OF CRUISE PASSENGERS BY PORT OF EMBARKATION (000'S)

Year	North America	Europe	Australia	Far East/Other	Total
1981	1,280	200	90	10	1,580
1982	1,290	180	90	20	1,580
1983	1,490	190	100	30	1,810
1984	1,630	220	100	40	1,990
1985	1,790	240	100	50	2,180
1986	2,170	200	100	50	2,520
1987 (estimated)	2,340	220	100	50	2,710
Annual Increase (%)	10.6%	1.6%	1.8%	30.8%	9.4%

Source: Cruise Shipping '88 - A Seatrade Conference; cassette, 1988.

that its member cruise lines carried approximately 3 million passengers in 1987.

The greatest area of growth in the cruise industry has been North America. As indicated in Table 2.2, a total of 2.34 million cruise passengers are estimated to have embarked from North American ports in 1987. Cruise ship passengers embarking from North America in 1987, therefore, accounted for 86% of the total number of cruise passengers in the world. The estimated number of cruise passengers embarking from North American ports has increased by about 10.6% per year since 1981, a rate greater than the growth of the cruise market overall.

As indicated in Table 2.2, Europe is the second largest source of cruise ship passengers. An estimated 220,000 persons embarked on cruises from European ports in 1987. Since 1981, the number of cruise passengers embarking from European ports has not increased significantly. As indicated in Table 2.2, the cruise market in Europe has increased by only 1.6% per year, from 200,000 passengers in 1981 to an estimated 220,000 passengers in 1987.

The political unrest in the Middle East has been one of the major factors contributing to the lack of growth in the market for Mediterranean cruises. In particular, the hijacking of the Achille-Lauro led to the redeployment of several ships from the Mediterranean to other areas of the world such as Alaska. Some of the major cruise lines are now attempting to re-enter the Mediterranean market and the number of cruise passengers embarking from Mediterranean ports is projected to increase.

The two other major cruise destinations in the world are Australia and the Far East. These two markets, however, are very small. The total number of cruise passengers that embarked from Australian and Far Eastern ports combined in 1987 was 150,000 or about 5.5% of the world cruise market. Although it is presently a small market, the Far East Market has expanded significantly since 1981. As shown in Table 2.2, the Far East cruise market has grown at an average rate of 30.8% per year since 1981 while the Australian cruise market has remained relatively stable.

TABLE 2.3

POPULARITY OF CRUISE DESTINATIONS
BY PASSENGERS OF CLIA MEMBER CRUISE LINES
IN 1986

Destination	Percent of Total Passengers
Caribbean	34.7%
Bahamas	20.4
Mexico	13.2
Alaska	6.7
Bermuda	4.1
Trans-Canal	3.7
Hawaii	3.4
South Pacific	2.6
Mediterranean	2.5
Trans-Atlantic	2.2
Europe	1.6
Canada/New England	1.1
Party Cruises	.9
Far East	.7
U.S. West Coast	.7
South East Asia	.4
U.S. East Coast	.3
South America	.3
Trans-Pacific	.2
Mississippi	.2
Around the World	.1
TOTAL	100.0%

Source: Cruise Lines International Association.

The Caribbean is the most popular cruise destination for the North American market. As indicated in Table 2.3, the Caribbean accounted for 34.7% of the total number of passengers handled by cruise lines belonging to the Cruise Lines International Association (CLIA). The next most popular destinations in 1986 were the Bahamas (20.4%) and Mexico (13.2%). Alaska was the fourth most popular destination and accounted for 6.7% of all cruise passengers handled by CLIA member cruise lines in 1986.

The total number of days spent cruising by North Americans in 1987 is estimated to be 19.2 million. As a result, the average cruise duration was 7.1 days. As shown in Table 2.4, the average cruise duration has not changed appreciably since 1981 due to the dominance of the 6 to 8 day market. In 1985, 6 to 8 day cruises accounted for 60% of all cruises undertaken from North American ports.

As indicated in Table 2.4, a total of 418,000 passengers took cruises between 1 and 5 days in length in 1985. This segment of the market accounted for 23% of the total North American market.

The market for 1 to 5 day cruises, however, has increased by only 10% from 1981 to 1985. The largest growth has occurred in the 6 to 8 day cruises which increased by 55% from 1981 to 1985.

B. INDUSTRY REVENUES

Due to the relatively high per diem rates charged and the large volume of passengers handled, the revenues earned by cruise lines are significant. According to the Cruise Lines International Association, the total revenues earned by its member lines in 1987 is estimated to have been $5 billion ($U.S.).

Approximately 95% of all cruise packages are sold through travel agencies. As shown below, the retail value of the cruise packages sold by travel agents in

TABLE 2.4

NUMBER AND LENGTH OF CRUISES
TAKEN BY NORTH AMERICAN CRUISE PASSENGERS IN 1985
(000's Passengers)

Year	Duration (Days) 1 - 5	6 - 8	9 - 17	18 +	Total	Average Duration
1981	380	696	190	14	1,280	6.8
1982	322	762	190	16	1,290	7.0
1983	322	950	204	14	1,490	7.1
1984	360	1,025	235	10	1,630	7.1
1985	418	1,077	286	9	1,790	7.1
Change (%) 1981 - 1985	10%	55%	51%	(36%)	40%	

Source: Cruise Shipping '87 - A Seatrade Conference; transcript, Feb., 1987.

North America has increased dramatically from $550 million in 1970 to $7.6 billion in 1985:

VALUE OF CRUISE PACKAGES
SOLD BY TRAVEL AGENTS
($000,000 U.S.)

Year	Revenue
1970	$ 550
1972	920
1974	1,210
1976	1,490
1978	2,130
1981	4,030
1983	5,240
1985	7,600

Source: Louis Harris Survey of Cruise Ships, June, 1986.

The above figures include both the air and sea components of cruise packages.

The sale of cruise packages now accounts for a significant component of the total sales revenue of most North American travel agents. In 1985, cruise packages, excluding air fare, accounted for 14% of the total dollar volume of travel agents in North America.

C. WORLD CRUISE FLEET

In 1987, there were a total of 118 cruise ships in the world that provided a total of 80,700 berths for cruise passengers. As indicated in Table 2.5, the number of ships comprising the world cruise fleet has increased by approximately 2.1% per year since 1981. Similarly, the number of berths has increased by about 3.2% from 66,800 in 1981 to 80,700 in 1987.

TABLE 2.5

SIZE OF WORLD CRUISE FLEET

Year	Number of Ships	Number of Berths (000's)	Potential Passenger Days (000,000's)
1981	104	66.8	22.0
1982	110	72.1	23.8
1983	111	73.3	24.2
1984	115	77.0	25.4
1985	117	78.0	25.7
1986	117	78.5	25.9
1987	118	80.7	26.6
Annual Increase (%)	2.1%	3.2%	3.2%

Source: Cruise Shipping '88 - A Seatrade Conference; cassette, 1988.

The number of passengers carried by the world cruise fleet has increased by about 9.4% per year since 1981, a growth rate approximately three times the rate of expansion (3.2%) in the number of berths. As a result, the load factor, or the percentage of fleet capacity utilized, has increased substantially over the last seven years. As shown below, the average load factor of the world cruise fleet has increased from 48.6% in 1981 to 72.2% in 1987:

LOAD FACTOR OF WORLD CRUISE FLEET

Year	Number of Passenger Days Demand	Supply	Load Factor
1981	10.7	22.0	48.6%
1982	11.2	23.8	47.1
1983	12.9	24.2	53.3
1984	14.1	25.4	55.5
1985	15.5	25.7	60.3
1986	17.9	25.9	69.1
1987	19.2	26.6	72.2

Source: Cruise Shipping '87, A Seatrade Conference; transcript, 1987

The load factor experienced by North American cruise lines is higher than the overall industry average. As an illustration, the load factor of CLIA members cruise lines was estimated to be 80% in 1986 as compared to a load factor of 69.1% for the industry as a whole.

In order to meet the strong growth in demand, the industry is currently accelerating its rate of capacity expansion. As shown in Table 2.6, there are a total of 23 ships on order. The construction of these ships will increase the total size of the world cruise fleet from the current level of 118 ships to 141 by 1991. These new ships will provide an additional 19,700 berths, thereby increasing berth capacity by 24%.

TABLE 2.6

FUTURE GROWTH OF THE WORLD CRUISE FLEET

	1987	On Order			
		1988	1989	1990	1991
Number of ships	118	126	133	140	141
Number of berths ('000s)	80.7	87.5	92.6	98.2	100.4
Potential annual passenger days (000,000's)	26.6	28.9	30.6	32.4	33.2
Growth in annual passenger days		+8.6%	+5.6%	+5.9%	+2.5%

Source: Cruise Shipping '88 - A Seatrade Conference; cassette, 1988.

The number of new ships indicated to be constructed in Table 2.6 may be conservative because it does not include some of the new ships currently being discussed such as the Carnival "Tiffany" fleet. At the 1988 Cruise Shipping Seatrade Conference in Miami, Florida, one of the speakers indicated that 26 ships will likely be built over the next five years and the total fleet capacity will be increased by approximately 30,000 berths. If all of these ships are built, the total capacity of the industry would increase by approximately 7% per year for the next five years.

Some of the existing ships, however, may be retired thereby reducing the rate of capacity expansion. As shown in the following table, 63% of the current cruise fleet was constructed prior to 1970:

WORLD CRUISE FLEET
FLEET AGE PROFILE IN 1987

Year Built	Number of Ships	Percent of Total
Pre - 1970	74	63%
1970 - 1979	24	20
1980 - 1984	13	11
1985 - 1987	7	6
Total	118	100

Source: Cruise Shipping '88, A Seatrade Conference; cassette, 1988

Many of the older vessels have been extensively refurbished and could be used for many years. However, as market conditions changes, it may be increasingly costly to refurbish old-fashioned ships. In addition, a substantial rise in fuel costs could make the older less efficient ships too costly to operate.

The general trend in the industry is the construction of larger ships. The average size of cruise ships has increased from 642 berths in 1981 to 684 in 1987 as shown below:

TABLE 2.7

SIZE AND COUNTRY OF OWNERSHIP OF MAJOR CRUISE FLEETS IN 1986

Operator	Country	Vessels	Berths (000's)
Epirotiki	Greece	9	3,490
Kloster Cruises (NCL and RVL)	Norway	8	6,800
Carnival Cruise Lines	United States	7	8,480
Cunard	United Kingdom	7	4,800
Chandris	Greece	6	4,480
Costa	Italy	6	4,360
P & O (Princess)	United Kingdom	6	5,140
Royal Caribbean Cruise Line (RCCL)	Norway	4	4,220
Sitmar	Monaco	4	4,030
Holland America Line (HAL)	Holland	3	3,510
TOTAL		60	49,310

Source: Cruise Shipping '87 - A Seatrade Conference; transcript, Feb., 1987.

AVERAGE SIZE OF CRUISE SHIPS

	1981	1987
Number of ships	104	118
Number of berths (000's)	66,800	80,700
Average number of berths	642	684

At the present time, the largest cruise ship is the $200 million "Sovereign of the Seas" owned by Royal Caribbean Cruise Lines. This vessel is capable of carrying 2,690 passengers and 750 crew members.

The new ships currently on order are considerably larger than most of the existing vessels. As an illustration, the average size of the 26 projected ships to be built over the next five years is 1,154 berths which is almost 69% larger than the average size of 684 berths for the existing world cruise fleet.

The ownership of the world cruise fleet is very concentrated. Despite the dominance of North America as a cruise destination, most of the large cruise lines are European owned. In 1986, the 10 largest cruise lines controlled 60 ships (51% of the total) with a combined total of 63% of the total berths (Table 2.7).

D. MARKET SEGMENTS

The cruise market is segmented according to the type of experience offered. A description of the characteristics of each market segment is highlighted in Table 2.8 while a more detailed description of each segment is provided below:

1. Luxury International

These cruise lines feature luxurious vessels with every conceivable on-board amenity and fairly "footloose" deployment patterns that are worldwide in

TABLE 2.8

CRUISE MARKET SEGMENTS

Market Segment	Experience Offered	Itinerary Characteristics	Length of Cruise	Vessel Size	Passenger Characteristics
Luxury International	- Luxury ships - Emphasis on cruising and itinerary - Worldwide cruising	- Frequent ports of call - Exotic destinations - Emphasis on shore excursions	2 wks. - 4 mos.	Medium and large	- Older - Affluent - Well-educated - Moderately adventurous
Luxury Destination	- Luxury ships - Emphasis on cruising and itinerary - Focus on destination area	- Frequent port of call - Conventional - Emphasis on shore excursions	1 - 2 weeks	Medium and large	- Middle-aged and retired - Moderate to affluent - Well-educated - Not adventurous
Sun and Fun	- Moderate to luxury ships - Emphasizes on-board experience - "Party" cruising	- Infrequent ports - Mass tourism destinations - Less emphasis on on-shore excursions	3 - 10 days	Medium and large	- Younger - Moderate incomes - Varying educational - Interested in fun, not itinerary
Adventure	- Comfortable ships sometimes luxurious - Emphasis on itinerary - Frontier destination areas	- Frequent landings - Out-of-way places - Emphasis on nature-oriented experiences	1 - 2 weeks	Small	- Older - Affluent - Well-educated - Highly adventurous
Economy	- Older ships - Standard accommodations - Affordable cruise experience	- Frequent ports of call - Conventional destinations - Basic shore excursions	3 - 10 days	Medium	- Middle-aged and retired - Moderate income - Varying educational levels

Source: Newfoundland Cruise Ship Study; Nov., 1987.

scope. Luxury international cruise lines all feature round-the-world cruises, make frequent ports of call and travel to exotic destinations.

The cruises are typically longer than in other segments, ranging from two weeks to four months or more. The luxury international cruise lines cater to the most affluent portion of the market.

2. Luxury Destination

The quality of vessel and on-board amenities are similar to the luxury international cruise lines; the major difference is the focus of the itinerary which is on specific regions such as the Caribbean, Alaska, or the Mediterranean. As with luxury international cruise lines, there is an emphasis on amenities and entertainment, as well as on quality touring experience with frequent ports of call and shore excursions.

The destinations of the luxury destination lines tend to be more conventional than the luxury international lines. Cruises are shorter, usually one to two weeks, and cater to a broader market in terms of age and income levels.

3. Sun and Fun

While the cruise industry started on the basis of the trans-Atlantic crossing, modern-day cruising is a leisure vacation experience. As a result, the most popular cruise destinations in the world are located in warm climates such as the Caribbean, Mexico and the Bahamas.

The high priority given to on-board experiences is demonstrated in a recent survey of cruise passengers which indicates that the seven most important factors contributing to a repeat cruise vacation are as follows:

MOST IMPORTANT FACTORS
THAT LEAD TO REPEATING A CRUISE VACATION

1. Ship staff
2. Quality of food
3. Ship appearance
4. On-board activities
5. Dining room service
6. Entertainment
7. Cruise director

Source: Cruise Shipping '88, A Seatrade Conference, cassette, 1988

As indicated above, the characteristics of the ship and the on-board activities are the most important factors leading to a successful cruise experience. The factors that were cited as least important related to the itinerary and on-shore excursions as shown below:

LEAST IMPORTANT FACTORS
THAT LEAD TO REPEATING A CRUISE VACATION

1. Shore excursions
2. Places that they went to
3. Cabin size

Source: Cruise Shipping '88, A Seatrade Conference, cassette, 1988

The above description of a cruise passenger refers primarily to the first time "fun and sun" cruise passengers who take a trip for the cruise experience. The cruise vessels serving this market segment generally make continuous circuits in warm climates on a year round basis.

The "sun and fun" ships vary in quality from moderate to luxurious. The sun and fun market segment emphasizes the on-board experience with ports of call

oriented towards recreation (e.g., snorkeling, water sports) rather than touring.

Most of the vessels in the "sun and fun" market segment are based in Florida, and cruise lengths are typically short (usually three to ten days). The "sun and fun" segment caters to a significantly younger market with a broad range of income levels.

4. Adventure

This type of cruising experience was pioneered by Lindblad Travel Inc., based in New York, which for many years sailed the Lindblad Explorer to unusual destination areas around the world including the Northwest Passage and Antarctica. For adventure cruising, the itinerary is the key selling feature. The cruise destinations include areas which have never been visited by cruise ships (nor in some cases by tourists of any kind).

The vessels used for adventure cruises are much smaller than those used in other types of cruises, with passenger capacities restricted to approximately 150. The ships are comfortable and sometimes have luxury appointments, although individual state-rooms are typically small. Shore excursions are included as part of the overall package and are especially designed for the cruise line or fully operated by it (e.g., these vessels normally have rubber zodiacs and/or other small craft which can be used to make landings almost anywhere). There is an emphasis on nature oriented experiences.

Most adventure cruises are one to two weeks in duration although it is possible to take multi-week cruises by combining sequential itineraries. Per diem rates are high and cater to an older affluent clientele with a sense of adventure and primary interest on the itinerary.

5. Economy

The economy cruise lines operate in many of the major cruising destination areas, but typically use older ships offering standard accommodations in order

TABLE 2.9

CLIA-MEMBER CRUISE LINES BY MARKET SEGMENT
IN 1987

Segment	Cruise Line	Number of Ships	Number of Berths	% of CLIA Capacity
Luxury International	Cunard Line Ltd.	3	3,522	
	Cunard/NAC	2	1,325	
	Royal Viking Line	3	2,130	
		8	6,977	10.6%
Luxury Destination	Admiral Cruises	3	2,700	
	Cunard/Sea Goddess	2	240	
	Holland America	3	3,542	
	Ocean Cruise Lines	2	750	
	Pearl Cruises	1	425	
	Princess Cruises	5	3,970	
	Regency Cruises	2	1,670	
	Royal Cruise Line	2	1,276	
	Sitmar Cruises	4	4,363	
		24	18,936	29.0
Sun and Fun	American Hawaii	2	1,596	
	Carnival Cruise Lines	7	9,270	
	Costa Cruises	6	4,372	
	Home Lines	2	2,352	
	Norwegian Caribbean	6	6,957	
	Royal Caribbean	5	6,696	
	Sun Line	3	1,124	
	Windstar Sail Cruises	1	150	
		32	32,517	49.8
Adventure	American Cruise Lines	4	507	
	Exploration Cruise Lines	8	879	
		12	1,386	2.1
Economy	Bermuda Star Line	3	2,298	
	Commodore Cruise Line	1	900	
	Premier Cruise Lines	2	2,334	
		6	5,532	8.5
TOTAL		82	65,348	100.0%

Source: Cruise Lines International Association, OAG Steamship Guide

to provide an affordable cruise experience. Since the quality of amenities is lower, the economy cruise lines typically place a strong emphasis on the itinerary and make frequent ports of call, although at fairly conventional destinations.

The cruise length is usually three to ten days, catering to moderate income levels. The market is heavily oriented to first-time cruisers and vessel deployment is most commonly in warm climate destinations.

A list of the CLIA member cruise lines that comprise each of the above market segments is provided in Table 2.9. As indicated, the sun and fun market is the largest market segment accounting for 49.8% of the total berth capacity of CLIA members. The second largest market segment is the luxury destination segment in which cruise lines offer several destinations such as Alaska. The luxury destination segment currently accounts for 29.0% of CLIA total berth capacity.

The remaining three markets are relatively small. As indicated in Table 2.9, the luxury international and economy segments accounted for 10.6% and 8.5%, respectively of total industry capacity in 1987. The smallest market segment was adventure cruising which accounted for only 2.1% of the total berth capacity of CLIA member cruise lines.

E. CHARACTERISTICS OF CRUISE PASSENGERS

According to a 1986 study undertaken by the Cruise Lines International Association, cruises are purchased by a wide variety of people. The cruise market, however, is presently dominated by a more elderly and educated clientele. As indicated in Table 2.10, 44% of all cruise passengers are 60 years of age and older and 72% have had some college education. In addition, 77% of cruise passengers do not have any children in the household.

According to a survey conducted in 1987 by Market Scope Inc., first-time cruisers account for 70% of all cruise passengers. The repeat cruisers are described in more detail below:

DON FERENCE
& ASSOCIATES LTD.

TABLE 2.10

PROFILE OF CRUISE PASSENGERS

	% of Total
Sex	
Male	53%
Female	47
Age	
25 - 34	28%
40 - 59	28
60 or over	44
Children in Household	
Yes	23%
No	77
Household Size	
1 - 2	63%
3 - 4	24
5 or more	8
Average (persons)	2.6
Education	
High school	28%
Some college or more	72

Source: CLIA, "News about Cruises"; Dec., 1986.

CHARACTERISTICS OF CRUISE PASSENGERS

New	70%
Repeaters	
Light	12
Medium	10
Heavy	8
Total	100%

Source: Cruise Shipping '88, A Seatrade Conference, cassette, 1988

At the present time, there exists a pool of approximately 13 million people in North America that have already taken a cruise.

There are two major types of cruise passengers: the traditional cruiser and the contemporary cruiser. While the traditional cruise passenger market has existed for some time, the contemporary cruise passenger is a recently emerging market. A description of the major characteristics of these two types of cruise passengers is provided below:

1. Traditional Cruise Passenger

   The traditional cruise passenger is elderly and affluent. This type of cruise passenger has large amounts of disposable time and usually takes a cruise that lasts two weeks or longer. Generally, the traditional cruise passenger is retired from, or employed in, a professional capacity.

   The traditional cruise passenger prefers primarily passive activities such as sightseeing and going to "out- of-the-way" destinations. This type of passenger usually has had extensive travel experience on both large and small ships.

2. Contemporary Cruise Passenger

The contemporary cruiser is younger than the traditional cruise passenger. This is exemplified by the fact that 41% of new cruisers are less than 35. This type of cruiser is not affluent as indicated by the fact that 50% have median incomes of $25,000. The most popular cruises are seven days in length with many opting for 3 to 4 day excursions because vacation time is taken in blocks throughout the year. The contemporary cruiser consists of working couples where very often both persons are employed. In addition, singles account for a significant proportion of contemporary cruisers.

The broad appeal of cruises to young people, singles and families was demonstrated in a 1986 CLIA survey. As shown below, the highest interest in taking a cruise was shown by younger adults in the 25 to 39 years age group:

IMPACT OF AGE
ON INTEREST IN TAKING A CRUISE

Among Prior Cruisers	Positive Interest
25 - 39 years	94%
40 - 59 years	81%
60 + years	63%
Average	76%

Among Non-Cruisers	Positive Interest
25 - 39 years	66%
40 - 59 years	50
60 + years	35
Average	53%

Source: Cruise Lines International Association, "News about Cruises", 1986.

In the CLIA survey, single people expressed as much interest in a cruise as married individuals as shown in the following tables:

SUMMARY OF VACATION CHARACTERISTICS BY MARITAL STATUS

	Single	Married
Taken a cruise in the past 5 years	14%	13%
Interest in taking a cruise	55%	56%
Satisfaction with cruise vacation- % stating extremely/very satisfied	87%	89%

Source: Cruise Lines International Association, "News About Cruises", 1986.

Satisfaction with the cruise experience is high among singles. The success of Carnival Cruise Lines which is now the largest cruise line in the world is due to their focus on the comtemporary cruiser, (ie., the "sun and fun" young single and couple market).

People who take their children with them on a vacation also represent a sizeable target market as shown below:

SUMMARY OF VACATION CHARACTERISTICS

	Vacation with children		Do not have children
	Yes (%)	No (%)	(%)
Taken cruise in past 5 years	7%	9%	17%
Interest in taking a cruise	60%	62%	52%
Satisfaction with cruise vacation - % stating extremely/ very satisfied	82%	76%	91%

Source: Cruise Lines International Association, "News About Cruises", 1986.

In summary, the comtemporary cruise segment includes most age groups and income categories. The emergence of this market segment has been one of the major factors contributing to the recent growth in the North American cruise market and offers significant potential to develop cruise products targeted to a broad range of age and income levels.

F. INDUSTRY OUTLOOK

The overall outlook for the cruise industry appears promising. The Cruise Lines International Association has projected that the cruise industry will grow by 14% per year over the next five years. The total number of passengers handled by CLIA-member cruise lines is projected to increase from approximately 3.0 million in 1987 to approximately 5.1 million by 1992.

This optimistic outlook for the cruise industry is shared by most industry representatives. A survey of delegates attending the 1988 Cruise Shipping Seatrade Conference indicated that 63.7% of all delegates felt that the number of cruise passengers handled in 1988 would increase by more than 5% as shown below:

PASSENGER VOLUME PROJECTIONS FOR 1988

Change	% of Respondents
Down 5 - 10%	.6%
Down 2 - 4%	.6%
-1% to 1%	4.5%
Up 2 - 4%	30.6%
Up 5 - 10%	63.7%
	100.0%

Source: Cruise Shipping '88, A Seatrade Conference, cassette, 1988

The major factors contributing to the optimistic outlook for the cruise industry are as follows:

1. Only 5% of North Americans have ever taken a cruise.

   As a result, there exists considerable potential to increase current market penetration.

2. Cruises demonstrate the highest satisfaction level of all vacation types.

   According to the 1986 CLIA study, 88% of all those who took a cruise vacation were very or extremely satisfied as shown below:

SATISFACTION WITH VACATION TYPES

Vacation	Very Satisfied	Extremely Satisfied	Total
Cruises	43%	45%	88%
A visit with friends and relatives	54%	34%	88%
A trip using individual reservations	59%	25%	84%
A package tour	58%	25%	83%
Vacation as part of business trip	62%	20%	82%
Vacation house rental	54%	32%	86%

Source: Cruise Lines International Association, "News About Cruises", 1986.

Industry representatives believe that the high degree of satisfaction obtained from cruises will ensure that individuals will continue to take cruises in the future.

3. The recent decline in the buying power of the U.S. dollar and the current political unrest in other countries such as the Middle East have motivated Americans to take vacations in their own country.

4. Cruises have an all inclusive price and are simple and convenient for the consumer.

   Because a cruise comes totally packaged with accommodation, meals, and transportation, the consumer can spend more time relaxing and eliminate the number of decisions required during the vacation. In addition, the cruise ship enables the passenger to move easily from one destination to another without having to change hotels, as is the case for land-based vacations.

5. Cruises represent good value when compared to other vacations.

6. The awareness and interest in cruising by North American consumers is increasing.

   In a recent survey of 4,000 travel agents, 80% indicated that interest in cruising is on the increase. In 1987, approximately $120 million was spent by the North American cruise lines on advertising and this amount is projected to double in the near future. The majority of future advertising will consist of TV advertising to increase the exposure of the North American public to cruising. This increased exposure from advertising is expected to encourage consumers to buy more cruises.

7. According to the 1986 CLIA survey, interest in cruising exists in all areas of the United States.

The potential markets, therefore, are broad as shown below:

INTEREST IN CRUISING BY GEOGRAPHIC AREA

Area	% Stating Definitely/ Probably Will Take A Cruise
Northeast	54%
South	54%
Midwest	56%
West	59%

Source: Cruise Lines International Association, "News About Cruises", 1986.

8. Cruises are the most profitable travel product for a travel agent to sell.

As shown below, the average commission earned by a travel agent is much higher for a cruise package than for other travel products:

PROFITABILITY OF DIFFERENT TRAVEL PRODUCTS

Product	Average Commission
Cruise	$ 300
Airline ticket	30
Rental car	16
Hotel	10

Source: Cruise Shipping 1988, a Seatrade Conference cassette, 1988.

Due to the higher profitability of cruises, travel agents are more motivated to sell cruises than other vacation products. This factor

is critical because 95% of all cruises are presently sold by travel agents.

Based on the positive interest currently expressed by the North American public, CLIA has indicated that the incremental sales opportunity for the industry is phenomenal. According to CLIA, the potential cruise market is estimated to consist of 26.7 million passengers resulting in potential annual revenues of $32.72 billion as shown below:

SIZE OF POTENTIAL CRUISE MARKET
IN NORTH AMERICA

By Age	Prospective Passengers: From Prior Cruisers (millions)	Prospective Passengers: From Non-Cruisers (millions)	Prospective Passengers: Total (millions)	Revenue Opportunity ($U.S. billions)
25 - 39 yrs.	1.6	10.6	12.2	$ 14.95
40 - 59 yrs.	1.7	6.7	8.4	10.29
60 + yrs.	3.0	3.1	6.1	7.48
TOTAL	6.3	20.4	26.7	$ 32.72

Source: Cruise Shipping '88, A Seatrade Conference, cassette, 1988

The growth prospects for each market segment, however, are different. As shown above, the majority of sales growth is projected to be obtained from first time cruisers. In fact, sales to non-cruisers account for 76% of the total potential market identified above.

First time cruisers prefer to take cruises in warm climates such as those offered by the "sun and fun" market cruise lines. As a result, the cruise destinations that are likely to experience the strongest growth are the Caribbean and Bahamas.

TABLE 2.11

FUTURE PROSPECTS FOR SPECIFIC CRUISE DESTINATIONS

Destination	Poor	Fair	Good	Excellent	% Good To Excellent
The Caribbean	.6%	6.7%	31.8%	60.9%	92.7%
Alaska	3.6	20.5	54.2	21.7	75.9
The Greek Islands	6.2	34.8	45.3	13.7	59.0
The Mediterranean	4.8	41.0	42.2	12.0	54.2
Japan and China	16.5	35.8	36.5	11.2	47.7
South America	10.8	44.0	38.6	6.6	45.2
Africa	55.4	35.5	8.4	.7	9.1

Source: Cruise Shipping '88 - A Seatrade Conference; cassette, 1988.

The excellent growth prospects for the Caribbean cruise destination was demonstrated recently in a survey of delegates attending the 1988 Cruise Shipping Seatrade Conference. As shown in Table 2.11, the growth prospects for the Caribbean were rated higher than all other cruise destinations. The growth prospects for Alaska are also excellent; it was considered to have the second greatest growth potential. As shown in Table 2.11, 75.9% of the conference delegates indicated that the growth prospects for Alaska were either good or excellent.

According to industry representatives, the luxury market is not projected to grow as rapidly as the "sun and fun" market segment in the short term. The lower growth is due to the fact that this luxury market caters primarily to traditional cruisers rather than the first time cruisers which will account for most of the industry growth in the short term. In the long term, however, the growth prospects of the luxury market are excellent primarily because it will cater to the growing pool of experienced cruisers.

G. INDUSTRY TRENDS

Some of the other factors that will likely affect the cruise industry in the future are as follows:

1. The degree of product differentiation will increase.

   As the market expands and matures, it will become increasingly necessary for cruise lines to offer different products for each market segment in order to survive.

2. The current trend toward consolidation of the North American cruise industry will increase.

   As a result, mergers between existing cruise lines are likely to accelerate.

3. The size of ships used to cater to the mass market of contemporary cruisers is likely to increase.

   Most of the ships will have the capacity to carry 1,500 to 3,000 passengers. As the size of the ships increases, fewer ships will be required to carry the same number of passengers.

4. In order to cater to the growing market of experienced cruise passengers, a separate market will develop for small up-scale luxury cruise ships.

5. As the new ships currently on order are placed into service, the degree of competition in each market segment will intensify.

   Some of the older ships will likely have to be re-deployed to new destinations so that new ships can be used to build market share in the existing destinations.

In summary, the above industry trends have positive implications for cruise destinations such as British Columbia and Alaska. Now is the time for entry into the cruise market because the industry is currently poised to grow substantially. As the industry grows and matures, it will be necessary to develop new cruise destinations in order to satisfy the growing market of repeat cruisers who will have experienced the Caribbean cruise and will look for new and interesting destinations. The displacement of older ships by new ships will also result in cruise lines experimenting with new cruise destinations with their older ships.

Based on the industry trends, there are two major opportunities for British Columbia to capitalize on the growing cruise industry in North America. The first opportunity is to cater to, and participate in, the projected growth in the Alaska cruise destination. The second opportunity is to offer new cruise destinations within B.C. to the North American cruise industry to cater to the growing demand for new and interesting destinations.

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TABLE 3.1

NUMBER OF CRUISE PASSENGERS THAT CALLED AT PORTS IN B.C. IN 1987

Type of Cruise	Number of Passengers
Vancouver	
Roundtrip	107,617
One-way Northbound	27,995
One-way Southbound	28,027
Port of Call	20,417
Repositioning and Round the World Cruises	20,906
Sub-Total	204,962
Prince Rupert	
Roundtrip	2,564
One-way Northbound	1,775
One-way Southbound	1,914
Port of Call	90
Sub-Total	6,343
Victoria	
Port of Call	43,211
Port Hardy	
Port of Call	9,000
Total calls made by cruise passengers	263,516
Less: Passengers that stopped in more than one port of call	44,103
Total number of B.C. passengers handled by B.C. ports	219,413

Source: Don Ference & Associates Ltd.

III. B.C./ALASKA CRUISE MARKET

This chapter contains a description of the existing B.C./Alaska cruise ship traffic. In addition, we have provided our findings regarding the factors affecting the market for B.C./Alaska cruises.

A. EXISTING CRUISE SHIP TRAFFIC PATTERNS

The current cruise ship traffic in B.C. is based almost entirely on Alaska as the primary destination. B.C. ports serve as embarkation ports or ports of call for cruise ships proceeding to and returning from Alaska. The use of B.C. ports as an embarkation port or port of call is due primarily to the federal legislation in the United States. Under the Passenger Shipping Act, a foreign-flag vessel is prohibited from embarking passengers at one U.S. port for a voyage to another U.S. port. The Act permits a foreign-flag vessel to disembark its passengers at its U.S. port of embarkation providing the itinerary includes at least one foreign port call.

Prior to the amendment of the Passenger Shipping Act in 1985, the Act stipulated that ships destined for Alaska had to stop at an equal number of foreign (i.e., B.C.) ports as the number of ports that were visited in Alaska. The B.C. ports that were regularly visited before 1985 included Port Hardy, Nanaimo, Victoria, Vancouver, Prince Rupert and Alert Bay.

Under the amended Passenger Shipping Act, it is sufficient for foreign flag vessels to embark from or stop at only one B.C. port on their way to Alaska. As a result, the number of B.C. ports visited by ships destined for Alaska has declined. In 1987, the only B.C. ports that were visited by cruise ships were Vancouver, Victoria, Prince Rupert, and Port Hardy.

As shown in Table 3.1, a total of 219,413 passengers were handled by B.C. ports in 1987. Vancouver handled a total of 204,962 passengers or 77.8% of the total calls made by passengers at B.C. ports. The number of calls made by passengers at Victoria was 43,211 or 16.4% of the provincial total. The

TABLE 3.2

PORT OF VANCOUVER
PASSENGER STATISTICS

Year	Cruise Vessel Arrivals	Cruise Passengers
1970	38	22,800
1971	33	19,800
1972	48	36,300
1973	82	69,400
1974	81	68,800
1975	103	88,800
1976	139	122,658
1977	141	140,591
1978	131	135,120
1979	134	152,514
1980	153	174,373
1981	186	186,494
1982	157	155,098
1983	144	175,626
1984	145	209,262
1985	184	267,472
1986	233	313,385
1987	212	313,881

Source: Vancouver Port Corporation

number of cruise passengers that called at Prince Rupert and Port Hardy totalled 6,343 (2.4%) and 9,000 (3.4%), respectively.

A description of the number and types of ships that called at Vancouver, Victoria, Prince Rupert and Port Hardy in 1987 is provided in the following paragraphs.

1. Vancouver

Vancouver functions primarily as the embarkation and disembarkation port for cruise ships destined for Alaska. Vancouver also serves as a port of call for cruise ships originating from U.S. ports such as San Francisco on their way to Alaska or for ships on round-the-world cruises.

The cruise traffic statistics reported by the Port of Vancouver shown in Table 3.2, are based on the number of times that a passenger either embarks, disembarks or transits. Therefore, for round trip Alaska cruise passengers originating in Vancouver, a passenger is counted twice, once at embarkation and again when disembarking at Vancouver.

The Port of Vancouver has experienced significant growth in the number of cruise vessels and passengers. From 1970 to 1987, the number of cruise ship arrivals has increased by 10.6% per year from 38 to 212. As shown in Table 3.2, the number of cruise ship passengers handled by the Port of Vancouver has increased fourteen fold since 1970. Very rapid growth has incurred from 1984 to 1987 due to the following factors:

a. Terrorism in the Mediterranean has resulted in many cruise lines switching their ships to the Alaska destination with Vancouver as the primary embarkation port.

b. A considerable number of North American residents decided to take a cruise to visit Alaska as well as see Expo '86. As shown in Table 3.2, the number of cruise passengers increased by approximately 17% from 1985 to 1986, primarily as a result of Expo '86.

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TABLE 3.3

LIST OF CRUISE SHIPS THAT UTILIZED
THE PORT OF VANCOUVER FOR ALASKA CRUISES IN 1987

Vessel	Passenger Capacity	Number of Sailings	Total Passenger Capacity
Royal Viking Sky	710	7	4,970
S.S Universe	550	7	3,850
Regent Sea	710	18	12,780
MS Noordam	1,214	18	21,852
Rotterdam	1,114	16	17,824
Nieuw Amsterdam	1,214	17	20,638
Golden Odyssey	468	8	3,744
Sagafjord	589	8	4,712
Cunard Princess	802	16	12,832
Sea Goddess I	120	8	960
Stardancer	980	19	18,620
Royal Princess	1,260	14	17,640
Sea Princess	740	11	8,140
Island Princess	626	15	9,390
Sun Princess	686	15	10,290
Fairsky	1,212	9	10,908
Fairsea	925	2	1,850
Daphne	420	19	7,980
Explorer Starship	250	2	500
North Star	158	2	316
Total	14,748	231[2]	189,796[1]

1. There were an additional 32 cruise calls representing an additional passenger capacity of 25,002 that called in Vancouver as part of a repositioning cruise thereby resulting in total passenger capacity of 214,798.

2. The number of sailings differs from the 212 arrivals reported in Figure 3.2 because Figure 3.2 only includes one arrival for a trip that consists of two one-way cruises (northbound and southbound) to Alaska while it is counted as two trips above.

Source: B.C. Steamship Guide, Port of Vancouver

Since Expo '86, however, the number of passengers handled by the Port of Vancouver has not declined but not remained at the peak level achieved in 1986.

As shown in Table 3.1, a total of 204,962 cruise passengers were actually handled by the Port of Vancouver. Alaska was the major destination for 184,086 passengers or 90% of the total number of cruise passengers handled by the Port of Vancouver. The remainder of the cruise passengers consisted of passengers that either embarked or disembarked on repositioning cruises or round-the-world cruises. Repositioning cruises occur at the start of the Alaska cruise season to bring a vessel from another destination to Vancouver and at the end of the cruise season when the vessel is deployed to another cruise destination (e.g., Caribbean).

As shown in Table 3.1, the majority (52.5%) of cruise passengers that called in Vancouver took a round-trip cruise from Vancouver to Alaska. However, 27,995 passengers (13.7%) took a one way cruise from Vancouver to Alaska while another 28,027 passengers (13.7%) took one-way cruises from Alaska to Vancouver. In addition, a total of 20,417 or 9.8% of the total number of passengers handled by Vancouver embarked from international ports such as San Francisco on a round-trip Alaska cruise that utilized Vancouver as a port of call.

As indicated in Table 3.3, twenty different cruise ships utilized the Port of Vancouver in 1987. The size of these ships ranged from the 158 passenger North Star to the 1,260 passenger Royal Princess. The total capacity of the vessels that called in Vancouver, including repositioning vessels, was 214,798. Since the total number of passengers handled was 204,962, the load factor experienced in 1987 was very high (95%).

In addition to the ships utilizing the Port of Vancouver, the 80-passenger Columbia operated by Great Pacific Cruise Lines utilized Granville Island as a port of call for its round trip excursions from Seattle. During the 1987 season, the Columbia made 15 sailings carrying a total of 641 passengers

TABLE 3.4

PORT OF VICTORIA
CRUISE SHIP PASSENGER STATISTICS

Year	Number of Sailings	Number of Passengers
1970	20	9,600
1971	16	8,150
1972	16	8,600
1973	25	15,925
1974	25	18,175
1975	30	17,400
1976	30	17,900
1977	28	17,200
1978	30	19,750
1979	23	15,600
1980	24	16,300
1981	33	23,643
1982	35	25,500
1983	30	23,866
1984	31	24,950
1985	30	31,700
1986	77	56,379
1987	55	43,211

Source: Westcan Terminals

between the beginning of July and mid-October. The cruise itinerary included stops in Port Townsend, Victoria, Ganges, Vancouver and Friday Harbour.

2. Victoria

The port of Victoria has also experienced significant growth in cruise ship traffic. As shown in Table 3.4, the number of passengers handled increased by an average of 9.3% per year from 9,600 in 1970 to 43,211 in 1987. The number of vessels that have called also increased from 20 in 1970 to 55 in 1987.

A peak in cruise ship activity occurred in 1986 due primarily to Expo '86. In 1987, the number of cruise ship visits to Victoria declined but is still considerably higher than the number of annual visits made prior to Expo '86.

As shown in Table 3.5, eleven different vessels utilized the Port of Victoria as a port of call in 1987. Most of the cruise ships embarked from San Francisco and travelled to Alaska. A number of the ships also used Victoria as a port of call in repositioning trips.

The M.V. Columbia used the Inner Harbour of Victoria in 1987 as a port of call for its round trips from Seattle to Puget Sound and the Gulf Islands. Due to financial difficulties experienced by Great Pacific Cruise Lines, the M.V. Columbia is no longer in operation.

3. Prince Rupert

As shown in Table 3.6, the number of cruise ships that utilize the port of Prince Rupert has declined significantly since 1981. In the past, Prince Rupert served as a port of call for several cruise ships on their way to Alaska. Exploration Cruise Lines is now the only cruise line that utilizes the port of Prince Rupert as an embarkation port for its cruises to Alaska. The two cruise vessels employed are the Explorer Starship and the North Star which have passenger capacities of 250 and 158, respectively.

TABLE 3.5

LIST OF CRUISE SHIPS
THAT UTILIZED THE PORT OF VICTORIA IN 1987

Cruise Ship	Passenger Capacity	Number of Sailings
Stardancer	980	2
Regent Sea	710	1
Explorer Starship	250	1
Sea Princess	740	10
Royal Viking Sky	710	8
Royal Princess	1,260	3
Fairsky	1,212	9
Fairsea	925	11
Universe	550	8
Sagafjord	589	1
MV Columbia	80	1
TOTAL		55

Source: Westcan Terminals

4. Port Hardy

Port Hardy is presently a port of call for the Fairsky (Sitmar) that embarks from San Francisco and travels to Alaska. In 1987, the Fairsky made a total of nine stops at Port Hardy. According to cruise passenger surveys, the visit to Port Hardy is regarded as a highlight of the Sitmar cruise.

5. Other Ports

Other B.C. ports that have been visited by cruise ships in the past are Alert Bay and Nanaimo. The degree of interest in the Queen Charlotte Islands as a port of call is increasing, especially by adventure cruise lines. In 1988, Exploration Cruise Lines will be initiating a trial port of call visit to the Queen Charlotte Islands with the vessels North Star and Glacier Bay Explorer. The ships will spend a total of 3 days in the area and will stop at the following locations in the Queen Charlotte Islands: Anthony Island, Queen Charlotte City and Skidegate.

The Queen Charlotte Islands will also be a port of call for the 90 passenger Society Explorer operated by Society Expeditions in 1988. Additional trips by Society Expeditions to the Queen Charlotte Islands in 1989 will not occur because the ship will be deployed to the South Pacific on a year round basis.

B. CHARACTERISTICS OF B.C./ALASKA CRUISES

As shown in Table 3.7, Vancouver served as the embarkation port for 68.6% of the total vessel capacity devoted to Alaska cruises. Ports in Alaska served as the embarkation point for 14.1% of the total vessel capacity. Most of the passengers embarking from Alaska disembarked in Vancouver or Prince Rupert.

Prince Rupert is the only other gateway port for Alaska cruises in B.C. As indicated, Prince Rupert accounted for 2.4% of the total passenger capacity of vessels deployed for Alaska cruises. The two other ports that were used as embarkation ports for Alaska cruises in 1987 were Seattle and San Francisco.

TABLE 3.6

PORT OF PRINCE RUPERT
CRUISE SHIP AND PASSENGER STATISTICS

Year	Number of Ships	Number of Passengers
1981	82	28,218
1982	39	23,404
1983	31	21,812
1984	27	20,642
1985	38	20,621
1986	N/A	4,468*
1987	34	6,321

* Includes only the North Star

Source: Prince Rupert Port Corporation

The market share of these ports, however, is relatively small and amounted to 6.0% and 8.9%, respectively.

The Alaska market is dominated by cruises that are seven days in length. As shown in Table 3.8, seven day cruises accounted for 79.9% of total vessel capacity devoted to the Alaska market. According to the cruise lines contacted, the trend will be towards a greater proportion of seven day cruises. Cruises longer than seven days are more difficult to sell due to their higher price.

The ten day cruise is the second most popular cruise and accounted for 9.8% of total vessel capacity in 1987. The remaining cruises varied from 11 to 14 days in length. The longer cruises embark primarily from U.S. West Coast ports. Due to their greater distance from Alaska, it requires more time for the cruise ships to reach their destination.

At the present time, the round trip Alaska cruise is the most popular. As shown in Table 3.9, round trip cruises accounted for 71.5% of the total capacity devoted to B.C./Alaska cruises. However, the one-way cruise is gaining in popularity. According to a survey by the Alaska Visitors Association, one-way cruises are projected to soon dominate the B.C./Alaska market because it offers cruise passengers a more varied and multi-destination experience. For example, the one-way tour from Vancouver to Alaska is often combined with an overland trip through Alaska to the Yukon.

C. MARKET SEGMENTS

The B.C./Alaska cruise destination is presently dominated by cruise lines comprising the luxury destination market. As indicated in Table 3.10, the luxury destination market segment accounted for 85.5% of the total passenger capacity devoted to Alaska cruises. The two major cruise lines that supply the luxury destination market are Holland America and Princess Cruises. These two cruise lines accounted for approximately 51.6% of the total passenger capacity devoted to the B.C./Alaska destination in 1987. Other major cruise

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TABLE 3.7

EMBARKATION PORTS OF

B.C./ALASKA CRUISES IN 1987

Port	Number of Sailings	Passenger Capacity	% of Total
Vancouver			
Royal Viking Sky	6	4,260	2.1%
Universe	7	3,850	1.9%
Regent Sea	9	6,390	3.1%
Noordam	17	20,638	10.0%
Rotterdam	16	17,824	8.7%
Nieuw Amsterdam	17	20,638	10.0%
Golden Odyssey	4	1,872	0.9%
Sagafjord	4	2,356	1.1%
Cunard Princess	8	6,416	3.1%
Sea Goddess I	4	480	0.2%
Stardancer	19	18,620	9.1%
Royal Princess	7	8,820	4.3%
Sea Princess	1	740	0.4%
Island Princess	15	9,390	4.6%
Sun Princess	15	10,290	5.0%
Daphne	19	7,980	3.9%
Explorer Starship	1	250	0.1%
North Star	1	158	0.1%
Sub-Total	170	140,972	68.6%
Alaska			
Regent Sea	9	6,390	3.1%
Golden Odyssey	4	1,872	0.9%
Sagafjord	4	2,356	1.1%
Cunard Princess	8	6,416	3.1%
Sea Goddess I	4	480	0.2%
Royal Princess	7	8,820	4.3%
Sea Princess	1	740	0.4%
Explorer Starship	8	2,000	1.0%
Sub-Total	45	29,074	14.1%
Prince Rupert			
Explorer Starship	7	1,750	0.9%
North Star	19	3,002	1.5%
Sub-Total	26	4,752	2.4%
Seattle			
Noordam	1	1,214	0.6%
Fairsea	12	11,100	5.4%
Society Explorer	1	90	0.0%
Sub-Total	14	12,404	6.0%
San Francisco			
Sea Princess	9	6,660	3.2%
Fairsky	9	10,908	5.3%
Royal Viking Sky	1	710	0.4%
Sub-Total	19	18,278	8.9%
Total	274	205,480	100.0%

lines in the luxury destination market segment that travel to Alaska are Admiral, Regency and Sitmar.

The luxury international market segment is the next largest segment and consists of two cruise lines, Royal Viking and Cunard. This market segment accounted for 11.0% of the total B.C./Alaska passenger capacity in 1987. As a result, the luxury international and luxury destination market segments together comprised 96.6% of the total B.C./Alaska market in 1987.

The adventure market segment is the third segment of the B.C./Alaska market. This market segment is very small and accounted for only 3.5% of total passenger capacity. As indicated in Table 3.10, the two cruise lines that offered B.C./Alaska cruises in this market segment in 1987 are Exploration Cruise Lines and Society Expeditions.

A comparison of the B.C./Alaska cruise market with the overall North American cruise market is provided below:

COMPARISON OF B.C./ALASKA CRUISE MARKET
WITH OVERALL NORTH AMERICAN CRUISE MARKET

	Proportion of Vessel Capacity	
Segment	B.C./Alaska	North America
Luxury International	11.0%	10.6%
Luxury Destination	85.5%	29.0%
Sun and Fun	-	49.8%
Adventure	3.5%	2.1%
Economy	-	8.5%
TOTAL	100.0%	100.0%

As indicated above, the composition of the B.C./Alaska cruise market is considerably different than the North American cruise market overall. The

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TABLE 3.8

LENGTH OF B.C./ALASKA CRUISES IN 1987

Company	Vessel	Number of Sailings	Capacity
7 Days			
Regency Cruise Lines	Regent Sea	18	12,780
Holland America	Noordam	18	21,852
	Rotterdam	16	17,824
	Nieuw Amsterdam	17	20,938
Royal Cruise Lines	Golden Odyssey	8	3,744
Cunard Lines	Cunard Princess	16	12,832
	Sea Goddess I	8	960
Admiral Cruise Lines	Stardancer	19[1]	18,620
Princess Cruise Lines	Royal Princess	14	17,640
	Sea Princess	-	1,480
	Island Princess	15	9,390
	Sun Princess	15	10,290
Costa Cruises	Daphne	19	8,480
Exploration Cruise Lines	Explorer Starship	16	4,000
	North Star	20	3,160
Sub-total		221	164,130
10 Days			
Cunard Line	Sagafjord	4	2,356
Princess Cruise Lines	Sea Princess	9	6,660
Sitmar Cruises	Fairsea	12	11,100
Sub-total		25	20,116
11 Days			
Royal Viking Line	Royal Viking Sky	7	4,970
Cunard Line	Sagafjord	4	2,356
Sub-total		11	7,326
12 Days			
Sitmar Cruises	Fairsea	9	10,908
14 Days			
World Explorer	Universe	7	6,850
Society Expeditions	Society Explorer	1	70
Sub-total		8	3,920
Total		274	205,380

1. This trip can be purchased as either a 3 or 4 day one-way package or a 7-day round trip package.

proportion of vessel capacity devoted to the luxury market in B.C./Alaska is 96.5% which is considerably greater than the market overall, where 39.6% of passenger capacity is devoted to the luxury international and luxury destination segments.

The B.C./Alaska market is under-represented, however, in the "sun and fun" and economy segments. While these segments comprised a negligible portion of the B.C./Alaska market, the "sun and fun" and economy market segments accounted for 49.8% and 8.5%, respectively, of total North American passenger capacity.

D. ECONOMIC BENEFITS OF EXISTING CRUISE SHIP INDUSTRY

According to a draft report prepared recently by Gary Duke & Associates Ltd. for Tourism Canada, the economic benefits to B.C. of the cruise industry are estimated to range between $66.4 to $85.3 million ($Cdn.). As indicated in Table 3.11, cruise passenger related expenditures are estimated to range from $30.3 to $43.6 million ($Cdn.). The balance of economic impacts result from provision of goods and services such as bunkering, provisions, pilotage, moorage, port charges, and repairs and maintenance.

The economic impact of the cruise ship industry reported by Gary Duke & Associates Ltd. is similar to the value of benefits reported in a study conducted by the Seattle Chamber of Commerce. According to this study, the direct economic impact of the Alaska cruise market in Seattle and Vancouver was estimated to be in the range of $43 to $52 million ($U.S.) with the largest amount ($31 to $37 million $U.S.) accruing to Vancouver.

E. CHARACTERISTICS OF B.C./ALASKA CRUISE PASSENGERS

An analysis of the demographic characteristics and expenditure patterns of B.C./Alaska cruise passengers is provided in the following paragraphs:

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TABLE 3.9

TYPE OF CRUISES
PURCHASED BY B.C.\ALASKA PASSENGERS

Cruise Line	Vessel	Passenger Capacity	Percent of Total
Round trip			
Royal Viking Line	Royal Viking Sky	4,970	2.4%
World Explorer	Universe	3,850	1.9%
Holland America	Noordam	21,852	10.6%
	Rotterdam	17,824	8.7%
	Nieuw Amsterdam	20,638	10.0%
Admiral Cruise Lines	Stardancer	18,620	9.1%
Princess Cruise Lines	Sea Princess	6,660	3.2%
	Island Princess	9,390	4.6%
	Sun Princess	10,290	5.0%
Sitmar Cruises	Fairsky	10,908	5.3%
	Fairsea	11,100	5.4%
Costa Cruises	Daphne	7,980	3.9%
Exploration Cruise Line	North Star	2,844	1.4%
Sub-total		146,926	71.5%
Northbound - One-way			
Regency Cruises	Regent Sea	6,390	3.1%
Royal Cruise Lines	Golden Odyssey	1,872	0.9%
Cunard Line	Cunard Princess	6,416	3.1%
	Sagafjord	2,356	1.1%
	Sea Goddess I	480	0.2%
Princess Cruise Lines	Royal Princess	8,820	4.3%
	Sea Princess	740	0.4%
Exploration Cruise Line	Explorer Starship	2,000	1.0%
	North Star	158	0.1%
Sub-total		29,232	14.2%
Southbound - One-way			
Regency Cruises	Regent Sea	6,390	3.1%
Royal Cruise Lines	Golden Odyssey	1,872	0.9%
Cunard Line	Cunard Princess	6,416	3.1%
	Sagafjord	2,356	1.1%
	Sea Goddess I	480	0.2%
Princess Cruise Lines	Royal Princess	8,820	4.3%
	Sea Princess	740	0.4%
Exploration Cruise Line	Explorer Starship	2,000	1.0%
	North Star	158	0.1%
Society Expeditions	Society Explorer	90	0.1%
Sub-total		29,322	14.3%
Total		205,480	100.0%

1. Age

As shown in Table 3.12, the average age of B.C./Alaska cruise passengers in 1986 is 58 and 70% of all B.C./Alaska cruise passengers were over the age of 55. In comparison, only 44% of the North American cruisers sampled in the 1986 CLIA survey were over the age of 60. The B.C./Alaska cruise passenger, therefore, appears to be somewhat older than the average North American cruise passenger.

The average age of B.C./Alaska cruisers, however, is dropping slowly. As indicated in Table 3.12, the average age dropped from 59 years in 1985 to 58 in 1986. Industry representatives have indicated that the average age is likely to continue dropping by about one year each year.

As expected, more cruisers were retired (50%) than employed (41%) in 1986. However, the ratio has changed somewhat since 1985, when 56% were retired and 38% were employed.

2. Education

The B.C./Alaska cruiser is relatively well-educated as shown below:

EDUCATION OF B.C./ALASKA CRUISERS

Education	Percent of Total
High school or less	33%
Some college	23
College degree	44
	100%

3. Party Size

The average party size of B.C./Alaska cruise passengers was 2.3 persons in 1985 and 2.1 persons in 1986.

TABLE 3.10

ANALYSIS OF B.C./ALASKA MARKET BY MARKET SEGMENT IN 1987

Segment	Number of Sailings	Passenger Capacity	Percent of Total
Luxury International			
Royal Viking Line	7	4,970	2.5%
Cunard	24	17,544	8.5
Sub-Total	31	22,514	11.0%
Luxury Destination			
Admiral Cruises	19	18,620	9.2
Cunard Sea Goddess	8	960	0.1
Holland America	51	60,314	29.4
Princess Cruises	55	45,460	22.2
Regency Cruises	18	12,780	6.2
Royal Cruise Line	8	3,744	1.8
Sitmar Cruises	21	22,008	10.7
World Explorer	7	3,850	2.0
Costa Cruises	19	7,980	3.9
Sub-Total	207	175,716	85.5
Adventure			
Exploration	36	7,160	3.5
Society	1	90	-
Sub-Total	37	7,250	3.5
Total	274	205,480	100.0%

Source: B.C. Steamship Guide, Don Ference & Associates Ltd.

4. Sex

In 1986, significantly more cruisers were female (60%) than male (40%).

5. Origin

As shown in Table 3.13, 39.1% of B.C./Alaska cruise ship passengers originated from the western United States in 1986. California accounted for 26.1% of all B.C./Alaska passengers in 1986. In contrast, the proportion of cruise passengers drawn from Washington was only 3.8%.

Other major purchasers of B.C./Alaska cruises in 1986 in the U.S. reside in the South (20.9%), Midwest (19.7%) and the East (14.4%). Canadians accounted for 4.3% of B.C./Alaska cruise passengers in 1986 while overseas visitors accounted for the remaining 1.6%.

6. Repeat Visitors

The vast majority of cruise ship passengers have either never been to Alaska before or have not visited in the last 5 years. According to a survey conducted by the Alaska Visitors Association, only 6.4% of Alaska cruise passengers have visited Alaska in the last five years for pleasure and only .9% on business.

According to the cruise lines contacted, repeat passengers currently account for approximately 5% of the total number of Alaska cruise passengers. This finding supports the following survey results which indicates that 4% of B.C./Alaska cruise passengers plan to immediately return to Alaska for their next vacation as shown below:

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TABLE 3.11

ESTIMATED ECONOMIC BENEFITS OF B.C./ALASKA CRUISE SHIP INDUSTRY
TO CANADA IN 1988
($000,000'S)

Service Related	Low	High
Bunkering	14.6	15.0
Provisioning	8.5	10.5
Pilotage	2.7	2.9
Moorage, Port Charges and Services	2.9	3.4
Repairs and Maintenance	2.0	3.5
Passenger Handling	3.1	3.4
Office and Related Expenses	.8	1.0
Airports	1.1	1.4
Crew Expense	.4	.6
Sub-Total	36.1	41.7
Passenger Related		
Use of Canadian Carriers	9.0	12.0
Tours and Excursions	1.3	1.7
General Expenditures	8.6	13.8
Hotel Accommmodation and Meals	3.9	4.6
Pre and Post Tours	7.5	11.5
Sub-Total	30.3	43.6
TOTAL ECONOMIC BENEFITS	$66.4	$85.3

Source: Economic Benefits to Canada from Alaska Cruise Industry, Gary Duke & Associates Ltd. (Draft Report)

NEXT VACATION DESTINATION
OF ALASKA CRUISE PASSENGERS

Destination	% of Total
Europe	16%
Alaska	4
Hawaii/Pacific Islands	11
Southern States	11
Canada	4
California	3
Other Western States	4
Eastern States	5
Caribbean	6
Australia/New Zealand	3
Don't Know	13
Other	20
	100%

Source: Data Decisions Group, Alaska Visitors Statistics Program; Patterns, Opinions and Planning, 1985.

7. Reason for Trip

The major reason for taking a B.C./Alaska cruise is shown below:

REASON FOR TAKING ALASKA CRUISE

Reason	% of Total
Visit friends and relatives	3%
Business/convention	2
Personal reasons	23
Always wanted to	22
Attractions of Alaska	9
Recommended by friends/relatives	7
Always wanted to cruise	9
Advertising and promotion	8
Previous visit	3
Price/cheaper than overseas	4
Other	10
	100%

Source: Data Decisions Group, Alaska Visitors Statistics Program; Patterns, Opinions and Planning, 1985

TABLE 3.12

AGE OF B.C./ALASKA CRUISE PASSENGERS

Age	1985	1986
Under 18	2%	3%
18 - 24	1	2
25 - 34	4	5
35 - 44	7	8
45 - 54	13	12
55 - 64	30	28
65 - 74	33	35
Over 75	10	7
	100%	100%
Average Age (years)	59	58

Source: Alaska Visitor Statistics Program, Visitor Arrivals, 1986

8. Expenditures

According to the Alaska Visitors Survey, B.C./Alaska cruise passengers spent a total of $80.4 million in Alaska in 1986. As shown in Table 3.14, 79% of these expenditures were made by cruise tour passengers while the balance of expenditures were made by round trip cruisers. A description of the spending characteristics of each of these two types of cruise passengers is provided below:

a. Round Trip Cruise Visitors

Round trip cruise visitors contributed $16.9 million in expenditures in Alaska. As indicated in Table 3.14, round trip cruisers have the lowest per person per night instate expenditure ($46) and per party expenditures ($295) among all Alaska visitors (Table 3.15).

During their trip, the average round trip cruiser spends $159 in Alaska. Several factors contribute to this low level of expenditure. The length of time in Alaska is about four days on the typical seven day cruise. All lodging and meals are prepaid aboard the ship and the actual time ashore in each location is typically limited to several hours rather than the full days spent by other visitor types. However, the rate of spending during the limited port time is significant. As a result, the round trip cruise market is very important to several coastal communities and specific sectors of the economy.

Round trip cruisers spend the bulk of their $16.9 million on day tours/salmon bakes during shore excursions ($7 million); on gifts, souvenirs and arts/crafts ($6.3 million); and on clothing ($1.4 million). Eighty percent (80%) purchase day tours/salmon bakes, 89% go shopping for gifts, souvenirs and arts/crafts, and nearly one half buy clothing. Sixty-eight percent buy food and beverages.

TABLE 3.13

ORIGIN OF B.C./ALASKA VISITORS

Country	1985	1986
United States		
West	44.6%	39.1%
California	(28.6)	(26.1)
Washington	(4.5)	(3.8)
Other	(11.5)	(9.2)
South	20.3	20.9
Midwest	16.9	19.7
East	12.5	14.4
Total United States	94.3	94.1
Canada	4.1	4.3
Europe	0.2	0.3
Other	1.4	1.3
TOTAL	100.0%	100.0%

Source: Alaska Visitor Statistic Program, Visitor Arrivals, 1986

As shown in Table 3.15, round-trip cruisers spend $23 per day on tours and $20 per day on the gift category. Other major daily expenditures include local transportation ($20), clothing ($8), and food ($4).

b. Cruise/Tour Visitor Expenditures

Cruise/tour visitors are defined as visitors on a prepaid package tour using a cruise ship as either the entry or exit mode of transportation but not both. Most often air is the other entry or exit mode, although motorcoach is used occasionally.

This market segment is by far the most important package tour type in Alaska and contributed $63.5 million in direct spending to the Alaska economy in 1986. In contrast to the round trip cruisers, cruise/tour visitors have very high per person per night ($104) and per party, per trip ($1,505) expenditures.

Cruise/tour visitors are big spenders on in-state transportation ($19.4 million); especially motorcoach transportation ($13.3 of the $19.4 million); lodging ($18.5 million); and gifts, souvenirs and arts/crafts ($10.1 million with 93% purchasing). Ninety-two percent (92%) of cruise/tour visitors also include some kind of day tour in their package, spending $7.4 million on this category of expenditures.

Per trip averages for day tours ($196), gifts ($257), lodging ($485) and instate transportation ($456) are high. The combination of the cruise/tour average party's day to day spending, which totals about $660, and the per party value of the in-state components of their package ($844), makes a substantial contribution to the Alaska economy.

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TABLE 3.14

TOTAL VISITOR EXPENDITURES IN ALASKA
BY B.C./ALASKA CRUISE PASSENGERS IN 1986
In Million $ (% of Visitors Purchasing)

Expenditure Category	Round trip Cruise		Cruise Tour	
Food/Beverage	$ 1.1	(68%)	$ 7.5	(97%)
In Eating Places	0.7	(52%)	6.8	(97%)
In Bars/Lounges	0.1	(22%)	0.3	(47%)
In Stores	0.2	(22%)	0.3	(60%)
Tours & Recreation	7.3	(83%)	8.0	(93%)
Overnight In-State Tours	<0.1	(<1%)	0.4	(2%)
Day Tours/Salmon Bakes	7.1	(80%)	7.4	(92%)
Other Rec., Sports & Ent.	0.3	(31%)	0.3	(51%)
Transportation	6.2	(81%)	19.4	(100%)
Ground Transportation	2.5	(69%)	13.3	(97%)
Rental Car/RV	<0.1	(<1%)	0.3	(5%)
In-State Air Transportation	2.9	(29%)	4.6	(36%)
In-State Ferry & Tour Boat	0.7	(14%)	1.3	(24%)
Personal Vehicle Expenses	<0.1	(<1%)	<0.1	(3%)
Clothing	1.4	(48%)	2.5	(63%)
Gifts, Souvenirs, Arts & Crafts	6.3	(89%)	10.1	(93%)
Personal Expenses	0.5	(69%)	1.1	(85%)
Lodging	0.2	(2%)	18.5	(90%)
Tour Profit/Overhead	-	-	0.1	(1%)
Other Expenses	0.1	(6%)	0.2	(12%)
TOTAL EXPENDITURES	$16.9	(100%)	$63.5	(100%)

Note:

1. Totals have not been reconciled as information was obtained directly from Alaska Visitors Statistics Program reports.

Source: Data Decisions Group, Alaska Visitor Statistics Program, Visitor Expenditures, 1986.

G. FUTURE OUTLOOK

As mentioned previously, future prospects for the B.C./Alaska cruise destination were rated higher than all other cruise destinations, except the Caribbean, by cruise industry delegates at the 1988 Cruise Shipping Seatrade Conference. The major factors contributing to the optimistic outlook for the Alaska cruise market are as follows:

1. The overall cruise industry is projected to grow at a rate of about 14% per year.

   This increase in the overall demand for cruising will impact all cruise destination markets.

2. As the overall cruise industry expands, it will create a larger pool of experienced cruisers which is the primary market for the B.C./Alaska cruises.

   While the B.C./Alaska market is not considered a cruise for first-time cruisers, especially the younger cruiser, it is an excellent destination for experienced cruisers. Therefore, as the pool of experienced cruisers increases, the demand for unique destinations such as Alaska will grow.

3. The aging of the North American population will result in an increase in customers for the Alaska market which caters primarily to an elderly clientele.

   As shown in Table 3.16, the greatest growth in the U.S. population will occur in the 45 to 54 age group which is projected to increase in size by 65.2% from 1985 to 2000. In comparison, the overall U.S. adult population is projected to grow by 17.3% during this fifteen year period.

TABLE 3.15

AVERAGE EXPENDITURES OF B.C./ALASKA CRUISE PASSENGERS IN ALASKA PER PERSON PER NIGHT / PER PARTY PER TRIP IN 1986

Expenditure Category	Round-trip Cruise		Cruise Tour	
	Per Night	Per Trip	Per Night	Per Trip
Food/Beverage	$ 4	$ 29	$ 12	$ 188
In Eating Places	4	26	11	173
In Bars/Lounges	2	10	1	15
In Stores	2	16	-1	13
Tours & Recreation	23	155	15	212
Overnight In-State Tours	-	-	-	-
Day Tours/Salmon Bakes	23	159	13	196
Other Rec., Sports & Ent.	2	17	1	17
Transportation	20	137	33	456
Ground Transportation	10	66	24	317
Rental Car/RV	-	-	-	-
In-State Air Transportation	26	180	20	316
Personal Vehicle Expenses	-	-	-	-
Clothing	8	51	7	95
Gifts, Souvenirs, Arts & Crafts	20	120	17	257
Personal Expenses	2	12	2	31
Lodging	-	-	34	485
Tour Profit/Overhead	-	-	-	-
Other Expenses	5	25	2	36
TOTAL AVERAGE EXPENDITURES(1)	$ 46	$ 295	$ 104	$1,505

Note:

1. Totals have not been reconciled as information was obtained directly from Alaska Visitors Statistics Program reports.

Source: Data Decisions Group, Alaska Visitor Statistics Program, Visitor Expenditures, 1986.

A similar aging of the population will occur in Canada. As shown in Table 3.17, the number of people over 45 in Canada will increase slightly faster than in the U.S., especially in the 55 to 64 and 65 to 74 age groups. The proportion of the Canadian adult population over 45 will increase from 44.3% in 1986 to 51.1% in 2001.

4. The B.C./Alaska cruise is presently one of the most profitable cruise destinations.

   Until 1987, very little discounting of cruise prices was undertaken while discounting occurs frequently in most other cruise destinations.

5. There is a high degree of passenger satisfaction with B.C./Alaska cruisers.

   On a scale of 1 (below expectations) to 7 (exceeded expectations), Alaska/B.C. cruise passengers gave an average rating of 6.0 in a 1986 cruise passenger survey conducted by the Alaska Visitors Association. Similarly, when asked to rate Alaska compared to other destinations with regard to value for money, on a rating of 1 (worse than other destinations) to 7 (better than other destinations), cruise visitors gave an overall rating of 5.8 to the Alaska cruise.

6. The cruise lines serving the Alaska market are attempting to include more active rather than passive activities in their cruises in order to cater to a younger clientele.

   For example, Holland America recently initiated a seven-day, round-trip itinerary from Vancouver to Alaska that includes the following components:

   - Paddling in a 36 foot canoe in Ketchikan.
   - River rafting down the Mendenhall River near Juneau.
   - Use of motorized rafts in Sitka to view the marine life.

TABLE 3.16

AGE OF U.S. POPULATION

Age Group	1985	% Change 1990	% Change 1995	% Change 2000
25 - 34	41,788	+4.2%	-3.0%	-12.9%
35 - 44	32,004	+18.3%	+31.2%	+36.6%
45 - 54	22,464	+13.1%	+39.7%	+65.2%
55 - 64	22,188	-5.2%	-5.8%	+7.1%
65 - 74	16,855	+7.0%	+9.8%	+4.9%
All Groups	135,299	+7.8%	+13.8%	+17.3%

CHANGES IN COMPOSITION OF U.S. ADULT POPULATION
(% OF TOTAL ADULT POPULATION)

Age Group	1985	1990	1995	2000
25 - 34	30.9%	29.8%	26.4%	22.9%
35 - 44	23.6%	25.9%	27.4%	27.6%
45 - 54	16.6%	14.4%	13.6%	15.0%
55 - 64	16.4%	17.4%	20.5%	23.4%
65 - 74	12.5%	12.5%	12.1%	11.1%

Source: U.S. Bureau of Census,
Series P-25 Current Population Reports

This trend towards more dynamic activities at ports of call is expected to increase the appeal of the Alaska cruise to younger clientele, thereby expanding potential market size for Alaska cruises.

7. The load factors on the B.C./Alaska cruise have remained high. The overall load factor for B.C./Alaska cruises from all embarkation ports in 1987 was 95.3% which is considerably higher than the industry average of 72.2% in 1987.

The major constraints to the growth of the B.C./Alaska market are as follows:

1. The number of repeat visits by B.C./Alaska cruise passengers is relatively low compared to other cruise destinations.

2. The luxury market is not projected to grow as fast as other cruise market segments.

   Since the B.C./Alaska destination caters primarily to the luxury market segment, the growth rate achieved is likely to be lower than the overall projected growth rate of 14% for the industry.

3. The competition from other cruise destinations is likely to intensify.

   Some of the other cruise destinations that could be potential threats to the Alaska market are the Mediterranean, South Pacific, Canada/New England, and Bermuda.

Based on the industry representatives contacted, the B.C./Alaska cruise market is projected to grow at a rate of about 6% per year over the next five years. Based on this growth rate, the total number of passengers on B.C./Alaska cruises is projected to increase from 219,413 in 1987 to 285,237 by 1992.

TABLE 3.17

AGE OF CANADIAN POPULATION

Age Group	Existing 1986	% Change 1991	% Change 1996	% Change 2001
25 - 34	4,527,155	+5.5%	-2.7%	-13.8%
35 - 44	3,640,895	+15.8%	+25.4%	+30.8%
45 - 54	2,545,215	+14.2%	+40.6%	+62.0%
55 - 64	2,328,325	+2.4%	+5.4%	+19.8%
65 - 74	1,650,090	+14.4%	+25.4%	+28.0%
All Groups	14,691,680	+10.1%	+16.2%	+20.4%

CHANGE IN COMPOSITION OF CANADIAN ADULT POPULATION
(% OF TOTAL ADULT POPULATION)

Age Group	1986	1991	1996	2001
25 - 34	31.0%	29.5%	25.8%	22.1%
35 - 44	24.8%	26.0%	26.7%	27.0%
45 - 54	17.3%	18.1%	21.0%	23.3%
55 - 64	15.8%	14.7%	14.4%	15.8%
65 - 74	11.2%	11.7%	12.1%	12.0%

Source: Statistics Canada; 1986 Cdn. Census Statistics Canada: Population Projections for Canada

IV. OPPORTUNITIES FOR ADDITIONAL B.C. PORTS OF CALL

The purpose of this chapter is to indicate the opportunities to capitalize on the growing Alaskan cruise market by encouraging cruise lines to stop at B.C. ports on their way to or from Alaska. As part of the analysis, we conducted an extensive assessment of B.C. ports to determine whether they meet the criteria of the cruise lines.

A. RELEVANT LEGISLATION

A summary of the relevant legislation is provided in the following paragraphs, while a more detailed analysis of the legislation is provided in a separate report entitled "Review of Legislation of the B.C. Cruise Ship Industry".

1. U.S. Cabotage

Cabotage is the reservation of coastwise traffic to domestic ships which was first introduced to U.S. maritime trade in 1789. The present prohibition of passenger carriage on foreign vessels between U.S. ports is contained in the 1886 Passenger Shipping Act. The Act was designed specifically to exclude ships of foreign registry from carrying passengers coastwise from one U.S. port to another in order to protect the U.S. passenger shipping industry from foreign competition and to enhance the employment interests of U.S. seamen.

A degree of liberalization has already ocurred in the application of the Passenger Shipping Act to cruise ship activities as a result of changes to the Code of Regulations in 1985. Previously, foreign-flag vessels disembarking all passengers at the U.S. port at which they were embarked were required to incorporate an equal number of foreign ports as U.S. coastwise ports in their schedules. Cruises into international waters without port calls ("cruises to nowhere" or "party cruises") were prohibited. In addition, foreign-flag cruise vessels with passengers aboard were not permitted to remain in a U.S. port for more than 24 hours.

The present regulations require the inclusion of only one foreign port in each cruise and permit "cruises to nowhere" providing the cruise includes international or foreign waters. In addition, the maximum 24 hour stop-over provisions have been eliminated. U.S. embarked passengers may also rejoin the vessel at the same or another intermediate U.S. port (e.g. to incorporate a land tour) providing they re-embark on the same vessel and in the course of the same voyage, that is, they have not left the vessel permanently. The prohibition of carrying passengers between two different U.S. ports is retained, however, thereby ensuring that Alaskan cruise/fly and cruise/drive trips continue to be based in Canada for the present.

Attempts to open up the West Coast cruise traffic have met with limited success. The domestic U.S. shipping industry, especially the maritime unions, continue to resist deregulation of the seasonal West Coast/Alaska cruise trade, in spite of the lack of involvement of U.S.-flag vessels and U.S. seafarers. The issue is effectively one of precedent because it might impinge upon other passenger routes and upon the protected domestic cargo trades.

The greatest support for liberalization originates from the States of Washington and Alaska and the Ports of Seattle, San Francisco, Los Angeles and San Diego. The opposition is firmly entrenched, however, and maintenance of the status quo is unlikely to be overturned by rational argument.

Any substantive change to the Act would likely permit coastwise passenger movements within the U.S. and the adoption of a wholly-U.S. port itinerary. Retention of a Canadian home port and inclusion of Canadian destination ports would then be judged by the cruise lines on a strictly commercial basis.

2. Canadian Cabotage

In 1931, shipping laws and regulations were standardised throughout the British Commonwealth under the British Commonwealth Merchant Shipping Agreement. This agreement provided reciprocal duty-free access for all British Commonwealth (British) ships to all Commonwealth coasting trades. This

access to Canadian waters by British ships was enacted in 1934 in Part XV of the Canada Shipping Act.

The opening of the St. Lawrence Seaway led to a series of registry changes by lakes vessels for fiscal and regulatory reasons. As a consequence, the Canada Shipping Act was amended in 1966 to restrict Canadian coasting movements within the Great Lakes to Canadian vessels. In 1983, the preferential duty-free access of British ships to the Canadian coasting trade was eliminated by the Customs and Excise Offshore Application Act.

Over the years, there has been a growing opinion that the coasting trade provisions should be up-dated and tightened while the exemptions should be made more specific. This opinion has led to the drafting of the Coasting Trade and Commercial Marine Activities Act (Bill C-52). The Bill was given its first reading in May, 1987 and is likely to be proclaimed by April, 1988.

The purpose of Bill C-52 is to close the coasting trade of Canada to all ships except ships registered in Canada. Foreign ships and non-duty-paid Canadian ships will be permitted to trade under license subject to the non-availability of suitable qualifying vessels in Canada and the payment of applicable duties and taxes for temporary use in Canadian waters.

The new definition of the coasting trade provided in Bill C-52 reads:

> "Coasting trade means the carriage of goods or passengers by ship, or by ship and another mode of transport, from one place in Canada or above the continental shelf of Canada to any other place, or to the same place in Canada or above the continental shelf of Canada, either directly or by way of a place outside Canada, but, with respect to waters above the continental shelf of Canada, includes the carriage of goods or passengers only in relation to the exploration, development, production or transportation of the mineral or non-living natural resources of the continental shelf;"

This definition is much more specific than the one in the Canada Shipping Act. Disembarkation of passengers at the Canadian port of embarkation will make the voyage a coasting voyage under the new Act even if the voyage is conducted predominantly in non-Canadian waters. A ship carrying passengers from

Vancouver to Alaska would fall under the coasting trade definition if its passengers disembarked in Alaska and flew back to Canada, even if the ship did not return to Canada.

The policy intent behind the change is best understood with reference to the 1982 Transport Canada background paper entitled the "New Coasting Trade Policy" which states:

> "From the overall viewpoint, i.e. taking into account all types of passenger cruising referred to above, there appears to be a need to place some measure of control over these activities, without placing additional financial burdens upon them.
>
> "This could be accomplished by requiring all passenger cruising activity from one Canadian port back to the same port to be regarded as a coasting activity, so that foreign registered ships would have to obtain a waiver to engage temporarily in cruising operations.
>
> "To ensure that no extra costs are imposed on the operators of deep sea cruising ships, foreign-built ships having permanent overnight accommodation for more than 100 passengers should be exempt from temporary entry customs duty.
>
> "To protect the small boat operator from U.S. competition in Canada, foreign-built ships not having this passenger carrying capacity would be subject to duty."

In accordance with the above, the exemptions contained in Bill C-52 originally included a cruising ship "where the ship has overnight accommodation for 100 passengers or more" [3.(3)(c)]. On March 8, 1988, this limit was amended to 250 passenger berths and authority to upgrade the limit was given to the Governor-in-Council.

All of the cruise vessels based in Canadian ports in the past few years, and those which are anticipated in 1988, are automatically exempt from the licensing process under Bill C-52 by virtue of the "100 passenger" rule. Two or three vessels, however, will be caught by the upward revision to 250 berths.

The rate of duty applicable under the Customs Tariff to a non-duty-paid ship imported into Canada is 25% ad valorem based upon the transaction value of the vessel and her appurtenances. In the absence of a transaction, the market value as determined by two independent surveyors may be used.

Under the prevailing regulations and their current application, the following scenarios exist for foreign-flag vessels with regard to payment of duty:

	Embark	Transit	Disembark	Duty Status
1.	Vancouver	-	Prince Rupert	Dutiable
2.	Vancouver	B.C. waters	Vancouver	Dutiable
3.	Vancouver	International waters	Vancouver	Dutiable
4.	Vancouver	-	Alaska	Non-dutiable
5.	Vancouver	Prince Rupert	Alaska	Non-dutiable
6.	Vancouver	Alaska	Vancouver	Dutiable*

* Historically, duty has not been levied in the case of scenario 6.

Cruise ships based from Vancouver usually carry a mix of passengers, including one-way and round-trip visitors. Consequently, Vancouver-based vessels have historically been classified in accordance with scenarios 4 or 5 above, instead of scenario 6.

There are current indications that the Ministry of Finance and/or the Ministry of National Revenue may adopt a significantly less liberal interpretation in future and that the historical interpretation is incorrect and based on lack of information, inadequate monitoring, and erroneous interpretation. Vessels which are currently classified as trading in international commerce could then be classified as undertaking voyages in the coasting trade: the result would be assessment of duty and taxes with a possibility of full remission after the event.

Bill C-52 would result in a vessel also being classified as operating in the coasting trade if passengers joined the vessel in Vancouver, disembarked in Alaska and returned to Canada by air. A return to the U.S. by air would not place the vessel inside the definition.

On the east coast of Canada, there were a number of vessels embarking from Canadian ports in 1987 that undertook voyages which involved very short periods outside Canadian waters or in foreign ports (i.e. U.S. or French territory). In these cases, all of the ships were deemed to be operating in the coasting trade and were, therefore, subject to waiver and liable for duty and taxes. In these instances, the Governor-In-Council on the recommendation of the Minister of Finance, granted full remission of all such duty for the 1987 season. In addition, duty and tax relief were granted in full on all bunker fuel and stores, including bonded goods. These remissions were, however, given on a one-off basis and are not guaranteed for subsequent years.

The difference between the scenarios on the Canadian east and west coasts depends upon the definition of the point at which a foreign-going coasting voyage ceases to be a coasting voyage and becomes a voyage in international commerce. The "spot-light" which was turned upon the St. Lawrence cruise trade in 1987 resulted in questions being raised concerning the accuracy of the historical exclusion of the B.C./Alaskan cruise traffic from the Canadian coasting trade provisions and the application of duty.

3. Ship Construction and Operation

The regulation and control of both Canadian shipping and foreign shipping in Canadian waters is the responsibility of the Department of Transport. Departmental authority is established by several pieces of legislation with the Canada Shipping Act being of prime importance.

The Canada Shipping Act addresses such matters as: ship registration; shipboard manning, certification, employment and disciplinary considerations; ship inspection and certification; port warden services; implementation of international maritime conventions; pollution control and liabilities;

cabotage; and traffic management services. Regulations promulgated under the Act are extensive and affect virtually every facet of Canadian maritime operations.

A key purpose of the Act and its regulations is to achieve and maintain high safety standards. These safety standards have a major impact upon the construction of new vessels in terms of design, building standards and material usage.

The Canada Shipping Act is presently undergoing a significant adjustment and updating through the phased proclamation of Bill C-39. This Bill includes legislation for the introduction of several international maritime conventions and the updating of Canada's compliance with conventions which have been superceded and/or amended. Unproclaimed sections of Bill C-39 will become law when the associated regulations are completed.

Canadian-flag vessels are required to comply with all the relevant aspects of the Canada Shipping Act. This includes the international maritime conventions endorsed by Canada and any Canadian regulations that require a higher standard of compliance.

Any foreign-flag ship in international service, including a cruise vessel, is boarded upon first arrival at a Canadian port by a Customs Inspector. Part of this entry process includes examination of the vessels main trading certificates - existence and validity.

This is the first "line-of-defence". In addition, the Department of Transport has wide powers to board a foreign-flag vessel and to conduct inspections as deemed necessary to ensure that the vessel is in compliance with its trading certificates. Detailed examination will not usually take place without cause.

Canada became an associate member of the European Port States Control on January 1, 1988. A condition of membership is the inspection of 25% of all foreign ships calling in Canadian ports. This inspection will involve scrutiny of the vessel beyond certificate perusal, at the discretion of the

inspector. As a result, the number of foreign ships inspected in Canada will increase.

Consequent to Part VIII of the Canada Shipping Act, officer certification and ship compliance/inspection procedures, as applied to Canadian-flag vessels, have been extended to non-Canadian vessels operating in the Canadian coasting trade (CRC 1452 Non-Canadian Ships Safety Order and CRC 1451 Non-Canadian Ships Compliance Certificate Regulations.). The change in definition of Canada's coasting trade consequent to Bill C-52 means that foreign-flag vessels currently used for Alaska cruises will have to comply with Canadian Ship Safety Standards per CRC 1452. Substantial expenditures, therefore, may be incurred by these vessels to meet these standards.

CRC 1451 requires that a foreign-flag vessel in the coasting trade carry officers with acceptable (Commonwealth) certificates and Canadian engineers in accordance with the engineer complement provisions of the Act. As a result, Alaska vessels would be required to carry at least two Canadian engineers on board.

4. Fuel Supply and Taxation

The majority of the cruise vessels burn bunker fuel for their main engines (although some will use diesel fuel when manoeuvering in port and confined waters). The grade used depends upon engine requirements and is usually cSt 380 or cSt 180. Some smaller vessels use a lighter grade of bunker fuel - such as cSt 80. In addition, the majority of the vessels also take marine diesel fuel for use in auxiliary machinery, although some of the more modern vessels are able to use bunker fuel for this purpose.

Bunker fuel on the B.C. coast is only available in Vancouver. A supply of bunker fuel was made available to a Prince Rupert based vessel in 1987 by stationing an oil barge in the port throughout the season. The barge was filled with Vancouver bunker oil at the beginning of the season and towed to Prince Rupert.

The market prices of marine fuel per metric tonne (mt) in Vancouver in February, 1988 were:

MARKET PRICES OF MARINE FUEL IN VANCOUVER

FUEL	PRICE PER METRIC TONNE
Fuel Oil 380 cSt	US$ 80 + provincial tax
Fuel Oil 180 cSt	US$ 82 + provincial tax
Marine Diesel Oil	US$ 185 + provincial tax

The net prices of fuel oil and marine diesel oil are set in Canada by the market conditions which prevail internationally, on the west coast, and locally in Canada and western Canada. Generally, there is a $5 to $10 pre-tax spread between fuel oil prices in Vancouver and Seattle - in favour of Seattle. On occasion, it has been common for cargo vessels calling on southern British Columbian ports to go to Port Angeles to take Puget Sound fuel and diesel when the price differential offsets the costs involved in the move. This pattern has not apparently been followed by the cruise lines because of scheduling pressures.

The supply of bunker fuel and diesel to the cruise vessels in British Columbia is subject to the Motor Fuel Tax Act. The provincial taxes that are levied are as follows:

Fuel oil:	7% ad valorem on delivered price
Marine diesel oil:	C$ 2.76/litre

The tax is levied on the transaction base irrespective of where the fuel is consumed. The bunker supplier, or broker, accounts for the fuel oil tax to the government, while the refiner accounts for the marine diesel oil tax. The tax on marine diesel oil equates to about $25 per delivered metric tonne; the actual cost per litre is indexed quarterly to the retail price of gasoline in the Vancouver area.

The lack of bunker fuel supplies at British Columbian ports, other than Vancouver is a disincentive for cruise vessels burning fuel oil to base their operations in other British Columbian ports - unless Vancouver is scheduled as a regular port of call.

The relative delivered cost of fuel in Vancouver and Seattle would be part of the financial computation undertaken by a cruise line assessing the question of an alternative home-port for a B.C. coast cruise ship. Provincial taxes are a factor in the high price of delivered fuels in British Columbia when compared to Seattle, and would also enter this calculation.

B. CRITERIA FOR SELECTING PORTS

The development of an itinerary for a vessel is usually undertaken in three phases. The specific steps and the major factors involved in each of these phases are described below:

PHASE I: SELECTION OF REGION

The region of deployment of the ship is made well in advance of a cruising season. The major factors involved in determining in which region a cruise vessel is to be deployed are as follows:

1. Many cruise lines have traditional cruising areas, thereby limiting their global ability.

   As an example, some lines such as Royal Caribbean Cruise Lines have names that are geared to certain areas. Other cruise lines have explicit strategies of regional market penetration and may not be interested in a new region regardless of opportunity.

2. Existing cruising regions can become saturated.

When this occurs, cruise lines look to new regions offering fresh experiences for repeat passengers and attractive options for first time cruisers.

3. The length of the operating season is important in the selection of a cruising region.

   Although warm climate cruising is the most popular, scenic cool climates are becoming increasingly attractive to the contemporary cruiser.

4. The level of consumer awareness of a destination is an important factor in selecting a cruising region.

   Cruise lines like to select regions that are well known to consumers, thereby eliminating the need to sell them on the destination. A cruise is seen as a method of allowing the cruiser to experience a destination. Cruise lines do not want to have to sell both the cruise and the destination as it is more costly and takes longer to develop the market.

5. The region should be safe and secure for cruise passengers.

   Unsafe natural environments are avoided. Similarly, potentially unstable governments or terrorist activities severely detract from the attractiveness of a cruising region.

6. Major events of international significance can lead to the temporary repositioning of whole fleets to a region to piggyback on the draw of the event.

   Expo '86, The Tall Ships, and The American Bicentennial Celebration are examples of major events that have affected deployment decisions.

PHASE II: SELECTION OF GATEWAY PORTS

Once a region of deployment is chosen, the cruise line must then identify the ports where the cruise will begin and end. These starting and stopping ports must provide both passenger appeal as ports of call and meet the infrastructure requirements of the vessels.

The major factors involved in selecting gateway (embarkation and disembarkation) ports are as follows:

1. The positioning of a ship from a previous or subsequent cruise is decisive in the choice of gateways.

   Although repositioning is an option, the lines will be attracted to gateways that mesh well with their overall itineraries.

2. The availability of good air and land transit access is a basic need of a gateway port.

   Some deficiencies can be dealt with using charters and other special arrangements but the greater the difficulty, the less likely the choice.

3. A gateway port should provide good tie-ins to pre and post cruise activity.

   The ability of a cruise line to link in to conventions and meetings, further travel tours, and floating hotel opportunities will influence the choice of gateways.

4. A gateway port must be able to provide reliable provisioning, servicing, and maintenance for a cruise vessel.

   Large quantities of provisions, sundries and supplies must be available on a reliable basis, at a reasonable cost. In addition,

fresh water, fuel, and other basic needs must be met by gateway ports.

5. A gateway port should provide a terminal large enough to handle cruise ship passenger volumes.

   The terminal facility should also provide the following facilities and services:

   - Visitor reception area
   - Pre-boarding area
   - Baggage handling facilities
   - Adequate local transportation services
   - Access to long-term parking facilities
   - Close proximity to hotels and shopping areas
   - Customs and immigration services
   - City core location

   In addition, a welcoming presence should be provided by the port to greet cruise passengers and make them feel comfortable.

6. Gateway ports should provide a considerable variety of shore activities and tours.

PHASE III: SELECTION OF PORTS OF CALL

Having decided on a region of deployment and gateway cities, cruise lines often show a great deal of flexibility in selecting ports of call as they attempt to maintain varied and flexible itineraries. There are, however, a number of critical considerations influencing the decision to visit a particular port:

1. The basic appeal of the port and its reputation is fundamental.

Cruise lines will always respond to the demand generated by passengers and this demand must come from awareness. The factors that make a port distinctive can vary from historical significance to scenic beauty or night-life. The important thing is for passengers to be aware of the ports that are listed in a cruise itinerary.

2. There is a need for basic infrastructure and services at the port.

   Although some lines will compromise on some services in order to try a new port that is of interest to passengers, each port must demonstrate that it offers the following:

   - Berthing capacity for large vessels or adequate anchorage and lightering facilities.
   - Visually appealing harbour.
   - Water, power and emergency services.
   - Telephone and other communications services.
   - Proximity to downtown.
   - Passenger reception and information services.
   - Visual link to town.
   - Local transportation services.

3. The availability and suitability of shore excursions that are well suited to the ship's target market is one of the most important criteria in selecting ports of call.

   These excursions must be well-run, reliable and affordable. Different lines have different demands ranging from shopping opportunities to adventure/nature experiences.

4. Each cruise must have a balanced and varied itinerary in order to keep passengers interested and satisfied.

Too much time at sea, on land, or at ports of call offering identical experiences will result in poor repeat visitation. Therefore, a port may be chosen as a change of pace if it is seen as attractive for its uniqueness.

As a general rule, cruise lines want to spend the first and last day of a cruise sailing rather than stopping at ports of call. This first day at sea is necessary to allow passengers to become accustomed to the ship and to experience the ship facilities. It is also desirable to spend the last day of the cruise sailing to allow passengers time to wind down from their cruise and to savour the "cruise" experience.

5. Ports of call must be logistically positioned along the route.

Out-of-the-way ports are avoided due to the excess time spent travelling to them. Similarly, ports too close to the gateway port or other ports of call are not desirable. The time of day that the port is visited is important. For most cruise lines, the common practice is to arrive at a port of call in the morning and leave in the evening.

The majority of travelling occurs at night. Consequently, it is usually desirable to have ports of call close enough together that they can be reached within one night's sailing and far enough apart that sufficient sailing can be undertaken in order to reach the ultimate destination.

6. An important factor used in the selection of ports of call is the reception given to cruise passengers by the local operators and the general public.

It is desirable that a greeting party be provided to meet each ship as it arrives.

7. The port of call should ensure that experienced guides, tour companies and tour buses are available to handle the needs of all cruise passengers.

8. It is desirable that shopping areas are within walking distance of the dock.

9. The port of call should have a number of unique features to capture the interest of cruise passengers.

   Packaged tours encompassing these unique features must be provided to enable the passengers to fully experience the port.

10. A central organization to deal with the cruise lines is required at each port.

    The function of this organization should be to package the various attractions desired by the cruise line and to coordinate the entire port of call experience. Cruise lines prefer to offer complete package tours to their customers and do not expect to have to assemble components of a tour. The function of a local port organization, therefore, should be to combine different components, such as a tour bus for transportation from the dock and tickets to an attraction and lunch, and offer this package to a cruise line to sell to their customers before they dock.

As indicated above, the three phases involved in the selection of ports, in order of sequence, are: the selection of a region; identification of gateway ports; and the selection of specific ports of call. Our findings regarding the strengths and constraints of B.C. ports with regard to each of these three aspects is provided in the following paragraphs.

C. SUITABILITY OF B.C. AS A CRUISING REGION

Based on the cruise lines contacted, the strengths and constraints of B.C. as a cruising region are as follows:

Strengths

1. The degree of satisfaction of cruise passengers with B.C. ports is high.

   In particular, the ports of Vancouver, Victoria, and Port Hardy have all achieved very high satisfaction ratings in cruise passenger surveys. In fact, the port of Vancouver ranked higher in passenger satisfaction than the Alaskan ports according to a recent study by the Seattle Chamber of Commerce.

2. B.C. offers cruise passengers the opportunity to experience a "foreign" port.

3. B.C. has a number of natural and heritage features that are of interest to cruise passengers.

   Some of the major B.C. attractions that are considered by the cruise lines contacted to be of interest to cruise passengers are as follows:

   a. The rich and varied Indian culture.

      Cruise passengers like to experience Native culture through exhibits, dances, and songs. In addition, they are interested in purchasing Native arts and crafts.

   b. The diverse shopping and cultural experiences provided by Victoria and Vancouver.

TABLE 4.1

TOURISM PRODUCTS OF INTEREST TO B.C. VISITORS

Product	DEGREE OF INTEREST			
	Not Interested	Probably Not Interested	Somewhat Interested	Very Interested
Queen Charlotte Islands	9.2%	10.2%	29.2%	42.5%
Heritage Tour	7.9	18.4	37.3	36.0
Whale Watching	19.1	15.4	27.2	37.0
City Tour	16.8	21.6	28.2	32.8
Live Theatre/Concert	26.2	21.1	24.7	27.7
Fishing Charter	45.0	14.8	15.6	24.2
Winery Tour	30.7	21.9	25.3	21.3
Amusement Park	34.6	23.3	22.4	19.4
Whitewater Rafting	47.4	13.0	19.5	18.2
Guided Hiking	36.3	22.0	24.3	17.0
Guest Ranch	30.4	27.2	25.7	15.2
Gambling Resort	66.3	15.8	7.6	9.5

Note: The above table does not include the visitors that did not respond to the specific question.

Source: Visitor '87 Study, B.C. Ministry of Tourism

c. Queen Charlotte Islands.

Due to the considerable publicity of South Moresby Island, the awareness and interest in experiencing the Queen Charlotte Islands by the North America public have increased considerably in recent years. As shown in Table 4.1, a 1987 visitor survey conducted by the B.C. Ministry of Tourism indicated that visitors expressed a greater degree of interest in the Queen Charlotte Islands than in any other tourism product referred to in the questionnaire.

d. Wildlife Viewing.

The level of interest by visitors in activities such as whale watching in B.C. is high.

e. Fishing Charters.

For the more active cruiser, B.C. can provide a very satisfying fishing experience due to the abundant fish resources within easy access of most ports.

f. Fjords and Inlets

The B.C. coast has the most extensive fjord system in the world. The fjords with their many waterfalls, rock walls, and forested peaks are scenically outstanding.

g. Outdoor adventures.

B.C. offers outdoor adventure possibilities and can, therefore, meet the growing demand for more active tours at ports of call. The types of activities available to

cruise passengers in B.C. include: golfing, hiking, river rafting, canoeing, kayaking and fishing.

h. Gulf Islands and Desolation Sound

The beauty of the Gulf Islands and the Desolation Sound areas have attracted thousands of American boaters in the summer. These areas would also be of interest to cruise passengers.

4. B.C. is a safe and secure region for cruising.

5. B.C. is a new destination offering a fresh experience for cruise passengers.

Constraints

1. The major appeal of Alaska cruises is to see Alaska rather than B.C.

It has taken years of advertising and promotion by the Alaska Visitors Association to create an awareness and interest in Alaska as a cruising destination. The current level of interest and awareness of Alaska as a cruise destination by the American public is very high and cruise passengers are more interested in visiting Alaska than B.C. Some of the factors contributing to the appeal of Alaska are as follows:

a. It is the last frontier for Americans and presents a sense of adventure.

b. The glaciers in Alaska are a unique natural attraction that cannot be seen in other parts of the United States.

2. A second constraint is the lack of awareness of B.C. as a cruising destination.

According to most of the cruise lines contacted, the awareness of the American public of B.C. ports other than Vancouver and Victoria is very limited. Due to this lack of awareness, the demand for B.C. as a cruise destination is low. As mentioned previously, cruise lines prefer to select cruising regions that are already well known.

3. The length of the operating season in B.C. is short.

   The current cruising season lasts from the middle of May to the end of September.

4. The weather along the B.C. coast is unpredictable.

   The frequent fog and cloudy periods experienced along the B.C. coast reduce the visual impact of the scenery for the cruise passengers.

In summary, the current lack of awareness of B.C. as a cruising destination and the primary motivation of cruise passengers to see Alaska reduces the degree of interest in B.C. ports. Consequently, it is necessary to significantly increase the awareness of B.C. as a cruise destination to the North American public before cruise lines are likely to consider offering B.C. as a primary destination and add B.C. ports to their Alaska cruises. If the level of awareness of B.C. is increased, the potential of B.C. as a cruise destination is considerable because it has many heritage and natural attractions that are of interest to Alaskan cruise passengers.

D. SUITABILITY OF B.C. PORTS AS GATEWAY PORTS

At the present time, Vancouver is the only gateway port in B.C. suitable for large cruise vessels and while Prince Rupert is a gateway port for the smaller vessels operated by Exploration Cruise Lines. The opportunities for additional B.C. ports to function as gateway ports for large and small vessels is described in the following paragraphs.

Large Cruise Vessels

Based on the criteria listed previously for gateway ports, it is obvious that most ports in B.C., other than Vancouver, are not presently able to meet the infrastructure requirements of major cruise lines. The major constraint facing most B.C. ports is the lack of sufficient air access to meet the large volume of passengers that must be handled during a very short period of time.

For example, to meet a sailing of Holland America's Noordam, there must be sufficient air lift capacity to deliver approximately 1,200 passengers within a period of three or four hours. Since these passengers originate from all areas of North America, regularly scheduled flights are needed from as many cities as possible to deliver these passengers. While cruise lines can use charter flights to deliver their passengers, this alternative is seldom used because they prefer to use the more economical scheduled flights.

For the larger cruise vessels, therefore, Vancouver is the primary gateway port in B.C. for B.C./Alaska cruises. Vancouver, however, competes with Seattle and San Francisco as a southern gateway port for B.C./Alaska cruises. The competition from Seattle is greater than San Francisco due to its closer proximity to Alaska. The major strengths and constraints of Vancouver as compared to Seattle as a gateway port for Alaska cruises are as follows:

Strengths

1. The current U.S. Passenger Shipping Act prevents foreign-flag cruise lines from undertaking one-way trips to Alaska from U.S. ports.

   U.S. ports such as Seattle or San Francisco can only be used as gateway ports for round trips to Alaska. This restriction reduces the flexibility of cruise lines in determining itineraries. In addition, the trend is towards one-way rather than round trips, thereby making Vancouver more advantageous as a gateway port.

Under the current Passenger Shipping Act, if Seattle or San Francisco are used as gateway ports, a foreign port of call must be made. As a result, it would be necessary for vessels embarking from Seattle to make a stop in Vancouver or another B.C. port as part of their trip to Alaska.

2. Vancouver has greater appeal to Alaska cruise passengers than Seattle.

   As mentioned previously, cruise passengers gave Vancouver the highest rating of all ports of call on the Alaska cruise itinerary.

3. Vancouver is closer to Alaska than Seattle thereby reducing fuel costs and sailing time.

   Seattle requires another 300 miles or 18 additional hours of cruising. Therefore, in order to retain a seven day cruise which is the industry standard for Alaska, some of the Alaskan ports would have to be eliminated or less time spent in the existing ports of call.

4. The inclusion of a foreign port (i.e., Vancouver) in the cruise itinerary is viewed as a positive feature of the Alaska cruise.

5. The new terminal facilities in Vancouver are unique and more aesthetically pleasing when compared to most other U.S. ports on the west coast.

6. The port charges in Vancouver are slightly lower than those in Seattle.

A comparison of port charges for the Island Princess is shown below:

COMPARISON OF PORT CHARGES
(Can. $)

Port	Berthage	Head Tax	Total
Vancouver	$ 167	$ 4,664	$4,831
Seattle	1,670	4,173	5,843

The major constraints to Vancouver as a gateway port are as follows:

1. The major constraint is the lack of sufficient and economical air links at Vancouver International Airport.

   The major bottlenecks occur during the weekend when most cruises embark or disembark. Due to the lack of sufficient air lift capacity, approximately one half of B.C./Alaska cruise passengers are flown into Seattle and then and either bussed or flown on commuter flights to Vancouver. Vancouver does not have an adequate number of direct flights to major cities in the U.S. to service the cruise market.

   Vancouver is also constrained by a lack of direct air links to Alaska which makes it difficult for one-way cruises to return to Vancouver from Alaska. As a result, it is not possible to book economical round trip air flights for cruise passengers.

   A study of the Vancouver Airport is currently underway in order to determine opportunities to increase the existing air lift capacity.

2. Considerable pressure is currently being exerted by Alaska and U.S. ports to modify the U.S. Passenger Shipping Act.

A report recently undertaken for the Greater Seattle Chamber of Commerce in February, 1988 recommended that an aggressive plan be undertaken to marshall national support for the modification of the Passenger Shipping Act. The study recommended that a substantial national public relations effort be undertaken in order to change the attitude of the major shipping unions such as the AFL-CIO, who are the major opponents to revising the existing legislation.

3. The cruise lines are concerned with the lack of sufficient capacity at the new Canada Place cruise ship terminal in Vancouver at peak periods.

   While sufficient capacity exists during mid-week, peaking occurs on the weekends because cruise lines prefer to embark on Saturdays or Sundays. Some cruise lines have opted to embark or disembark from Ballantyne Pier rather than Canada Place in order ensure a weekend departure date. However, the future of Ballantyne pier is uncertain. If it is converted for cargo use only, it will no longer be available as a back-up for Canada Place.

   Consequently, while there is adequate capacity mid-week, a capacity problem presently exists on some weekends. This lack of capacity will be aggravated with the projected growth of the Alaska market.

   The two major alternatives to alleviating this problem are either to build additional capacity or to convince the cruise lines to accept mid-week departure dates. It may, however, be difficult to convince cruise lines to change to mid-week departures if they are able to obtain weekend departures at alternative gateway ports such as Seattle.

4. There exists a number of bottlenecks in the current layout of the Canada Place Cruise Terminal.

According to a recent study, one of the major design problems with the Canada Place terminal is insufficient area for tour buses. Only 11 buses can be accommodated at one time in the present parking area while 30 to 40 buses are required for a large cruise vessel. As a result, a second staging area must be used for tour buses that is some distance away.

5. Insufficient recognition has been given by port management of the role of the Chamber of Shipping of B.C. and the Northwest Cruise-Ship Operators Association.

   The majority of the cruise lines are members of an association that was initially called the Vancouver Cruise Ship Terminal Users Association (V.C.S.T.U.A.) and has been renamed the Northwest Cruise-Ship Operators Association. In 1987, this cruise lines' association requested a greater involvement in the Vancouver terminal operation, in such matters as the selection of terminal operators and stevedores. However, the terminal contract, for a three year period (1988 - 1990) was awarded without any significant involvement from the lines' representative body.

   As a comparison, the terminal in Los Angeles is operated by a joint venture consisting of the major cruise lines involved. A profit-sharing arrangement has been established between the Port of Los Angeles and the joint venture.

6. Bunker fuel and diesel fuel prices are higher in B.C. than in the U.S. due primarily to a provincial sales tax on these fuels.

7. The definition of coasting trade contained in the proposed Bill C-52 would increase the duty and degree of licencing required by foreign flag vessels used for Alaska cruises.

   All foreign vessels less than 250 passengers would be required to obtain an annual licence. This licence, however, would be granted

only if Canadian vessels are not available. In addition, there are indications that the Ministry of Finance may enforce the payment of duty on cruise vessels that make round trip cruises from Vancouver to Alaska.

8. Due to the change in the definition of the "coasting trade" proposed in Bill C-52, regulations CRC 1451 and 1452 of the Canadian Shipping Act will be extended to foreign flag vessels currently being used for B.C./Alaska cruises.

At the present time, the advantages of Vancouver as a gateway port appear to outweigh its disadvantages and most cruise lines appear generally satisfied with Vancouver. The major threat facing Vancouver is potential modification of the U.S. Passenger Shipping Act which would intensify the degree of competition between Seattle and Vancouver as gateway ports.

The current consensus is that the Passenger Shipping Act is not likely to be modified in the short-term due to the strong opposition to changes by the maritime lobby. However, in the medium to long-term, the application of constant political pressure may result in changes to the Passenger Shipping Act that would threaten Vancouver's dominant position as a gateway port for Alaska cruises.

Development Strategy

In order to retain the dominance of Vancouver as a gateway port for Alaska cruises, the development strategy should be to ensure that the shift to a U.S. gateway port for the Alaska season would be an unattractive proposition, even with the legislative prohibition lifted. The specific steps that should be undertaken to retain the Alaska cruise industry in Vancouver are as follows:

1. Increase the degree of service to cruise lines by resolving the peaks in berth usage and air lift capacity that occur in Vancouver during the weekends.

Some alternative methods of resolving this problem are:

a. Increase the promotion of pre and post cruise tour packages to disperse the arrival and departure of passengers.

b. Provide additional berth capacity in Vancouver.

c. Increase the current air lift capacity of the Vancouver International Airport.

2. Ensure that the Vancouver port charges remain competitive with Seattle.

3. Maximize the competitive advantage of Vancouver through the development and maintenance of high quality terminal and tourist infrastructure facilities.

4. Provide the opportunity for cruise lines to become functionally and commercially involved in the infrastructure so that a change of port would be operationally and commercially disruptive for them.

   This could be achieved by encouraging the ownership of pre and post tour operations and facilities in B.C. and the negotiation of long-term terminal leases and operating contracts with the Vancouver Port Corporation.

5. Increase the recognition and acceptance by Vancouver port management of the role of the Chamber of Shipping of British Columbia and the Northwest Cruise-Ship Operators Association.

6. Action must be undertaken immediately to amend the proposed Bill C-52.

The amendment required to Bill C-52 would allow for a geographical exemption from the licensing procedures for foreign-flag cruise vessels and non-duty-paid Canadian vessels on the Pacific coast of Canada. A comparable exemption from excise duty and taxes should also be sought.

7. In order to prevent significant increases in current operating costs, regulations CRC 1451 and 1452 of the Canadian Shipping Act should be amended to ensure that they will not apply to B.C./Alaska cruises which were not previously subject to these provisions.

   These amendments should ensure that Alaska cruise vessels will not have to meet Canadian ship safety standards or have to carry Canadian engineers on board.

8. If a change in the U.S. Passenger Shipping Act is imminent, the provincial tax on bunker fuel oil for international trade vessels should be eliminated.

   This tax should be eliminated on a pro-rata consumption basis; that is, on the percentage of time spent steaming in B.C. compared to the total steaming time on the Alaska cruise.

9. On behalf of B.C. ports, the Cruise Industry Association of B.C. should be responsible for initiating the changes required to the existing and proposed marine legislation in Canada.

10. The Cruise Industry Association of B.C. should also be responsible for monitoring changes in the Passenger Shipping Act and other U.S. marine legislation.

Small Vessels

The criteria for gateway ports listed previously refers to a gateway port for large cruise vessels in excess of 300 passengers. The criteria for

gateway ports for smaller vessels are much less stringent. Because fewer passengers need to be handled at any one time, the airport and infrastructure facilities required are considerably less.

Prince Rupert is a gateway port for Alaska adventure cruise vessels because it is in proximity to Alaska, which is the primary destination. In addition, it enables the cruise lines to meet the requirements of the U.S. Passenger Shipping Act which requires embarkation from a Canadian port by foreign-flag vessels cruising in Alaska.

Because the criteria for a gateway port for small vessels is much less stringent than for larger vessels, a number of other B.C. ports could satisfy most of the requirements of a gateway port. If Alaska is the primary cruising destination, however, northern B.C. ports such as Prince Rupert are most suitable as gateway ports because they are close to Alaska.

In addition to the legislation changes required for all B.C. ports, the specific development strategy required by the Prince Rupert Port Corporation to retain its role as a gateway port for Alaska adventure cruise vessels is as follows:

a. Consideration should be given to establishing berthing facilities in proximity to the downtown area.

   The Prince Rupert Port Corporation is currently investigating a number of alternatives such as the purchase of an old ferry to use as a docking facility.

b. The extent and diversity of on-shore attractions must be increased and include more active excursions.

c. Port charges should remain competitive with Alaska ports.

TABLE 4.2

SUITABILITY OF B.C. PORTS OF CALL FOR B.C./ALASKA LUXURY MARKET SEGMENT

	Nanaimo	Campbell River	Kitimat	Howe Sound	Stewart	Powell River	New Westminster	Alert Bay	Vancouver	Victoria	Prince Rupert	Port Hardy	Bella Bella	Queen Charlotte Islands
Logistical Position	1	1	2	1	2	1	1	2	3	1	3	2	3	3
Appearance														
Overall Site	2	2	2	2	2	2	2	1	3	3	1	2	2	2
Wharf Facilities	2	1	2	1	1	2	2	1	3	3	2	2	1	1
Visual Link to Town	2	1	1	2	2	2	2	2	3	2	1	3	3	1
Access														
Pedestrian Movement	2	2	1	2	2	2	3	2	3	3	2	3	2	1
Proximity to City	3	2	1	1	3	3	3	2	3	2	2	3	2	1
On-Shore Tours														
Harbour Tours	2	2	1	1	2	2	3	2	3	3	2	3	2	2
Cultural Entertainment	2	2	1	2	1	1	2	3	3	3	2	3	1	2
Native Heritage	1	3	1	2	1	1	1	3	2	2	2	2	2	3
City/Museum Tour	2	2	1	3	2	3	2	2	3	3	3	3	1	2
Excursions	3	2	2	3	3	2	1	1	3	3	3	2	2	2
Passenger Facilites														
Reception Area	2	1	2	2	1	2	2	1	3	3	1	2	1	1
Information Booth	2	2	2	2	2	2	3	2	3	3	2	3	2	2
Docking Capacity														
Docks (length)	2	-	1	1	1	-	3	-	3	3	2	-	-	-
Berths	1	-	1	1	1	-	1	-	3	3	2	-	-	-
Lightering	2	2	2	2	2	2	-	2	-	-	2	3	2	1
Port Costs	3	3	2	2	2	3	3	2	1	2	2	2	3	3
Port Reputation	1	1	1	1	1	1	1	2	3	3	2	3	1	3
Shopping/Dining Facilities														
Uniqueness	2	2	1	2	1	2	2	3	3	3	1	2	2	2
Number of Facilities	3	2	2	2	1	2	3	1	3	3	2	1	1	1
TOTAL	40	33	29	35	33	35	40	34	54	51	39	44	33	33

Source: Don Ference & Associates Ltd.

d. Encourage the ownership of pre and post cruise tour facilities in Prince Rupert and the negotiation of long term lease and operating contracts for port facilities.

e. Increase the awareness of the community to the benefits of attracting cruise ships.

E. SUITABILITY OF B.C. PORTS OF CALL

In general, the criteria for ports of call are less stringent than for gateway ports. The criteria for selecting ports of call vary according to the market segment and size of ships.

The two major segments comprising the current B.C./Alaska market are the luxury market segment, which employs large ships, and the adventure market segment that employs smaller vessels. The following paragraphs contain an assessment of the suitability of B.C. ports of call for each of these two market segments:

Luxury Market Segment

In order to determine the suitability of B.C. ports of call for the luxury Alaska cruise market segment, we have ranked each B.C. port according to the criteria used by cruise lines to select ports of call. By compiling the rating given to each port for each criteria, we have developed an overall ranking for the B.C. ports which is provided in Table 4.2. Our detailed findings regarding the strengths and constraints of B.C. ports of call for the luxury B.C./Alaska market is provided in the following paragraphs.

1. Logistical Position

As shown in Table 4.2, the ports in northern B.C. rank higher than the ports in southern B.C., except Vancouver, with regard to this criteria. As a general rule, cruise lines prefer not to stop on their first and last day of

TABLE 4.3

TYPICAL SEVEN DAY ROUND TRIP
ALASKA CRUISE ITINERARY

Day	Port of Call	Arrive	Depart
0	Vancouver, B.C.	--	6:00 p.m.
1	Cruising Inside Passage	--	--
2	Ketchikan	8:00 a.m.	3:00 p.m.
3	Juneau	8:00 a.m.	3:00 p.m.
4	Cruising Glacier Bay	--	--
5	Sitka	7:00 a.m.	1:00 p.m.
6	Cruising Inside Passage	--	--
7	Vancouver, B.C.	7:00 p.m	--

Source: Cruise line brochures

sailing. Instead, they prefer to have ports of call scheduled during the middle of the cruise. Because southern ports are so close to Vancouver, the vessel would have to call on these ports during either the first or last day of sailing.

As shown in Table 4.3, the typical 7-day round trip cruise to Alaska leaves Vancouver at 6:00 p.m. and sails all night. Therefore, by the next morning, the cruise ship is at the northern tip of Vancouver Island and has already passed most of the ports on the southern B.C. south coast. Similarly, on the return trip, the cruise ship sails all night to arrive at Vancouver by early morning, thereby again passing the ports in southern B.C. during the night.

The specific ports in northern B.C. that appear to be logistically positioned along the Alaska cruise route are Port Hardy, Alert Bay and Prince Rupert. Northern B.C. ports such as Stewart and Kitimat are not as well positioned because both of these ports are located at the end of long inlets that are a considerable sailing distance from the Inside Passage. One of the constraints of ports such as Bella Bella and the Queen Charlotte Islands is the lack of sufficient infrastructure to meet the needs of large cruise vessels.

The time available to stop at B.C. ports is also restricted by the current trend to go further into Alaska. As shown in a typical 7-day, one-way Alaska cruise schedule in Table 4.4, the current trend is to travel into the Gulf of Alaska and terminate at Whittier. As a result, the amount of time spent in B.C. waters has not been increased for seven day, one-way cruises because more time is required to travel to reach Gulf of Alaska ports where passengers are flown back or take a land tour package in Alaska.

For the seven day, one-way and round-trip excursions, therefore, B.C. ports would have to replace existing Alaska ports as there is not sufficient time in the current itineraries to increase the number of existing ports of call. As mentioned previously, the cruise lines are reluctant to replace Alaska ports of call because Alaska is the primary destination that attracts cruise passengers.

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TABLE 4.4

TYPICAL SEVEN-DAY, ONE-WAY ALASKA CRUISE ITINERARY

Day	Port of Call	Arrive	Depart
0	Vancouver, B.C.	--	6:00 p.m.
1	Cruising Inside Passage	--	--
2	Ketchikan	8:00 a.m.	2:00 p.m.
3	Juneau	12:00 p.m.	12:00 a.m.
4	Skagway	8:00 a.m.	5:00 p.m.
5	Cruising Glacier Bay	7:00 a.m.	2:00 p.m.
6	Cruising Columbia Glacier/ College Fjord	2:00 a.m.	7:00 p.m.
7	Whittier	8:00 a.m.	--

Source: Cruise lines brochures

The two major opportunities for southern B.C. ports to function as ports of call on Alaska cruises are as follows:

a. Cruise ships embarking from Vancouver that offer longer than seven day trips to Alaska.

   For longer cruises that embark from Vancouver, there is a greater amount of time to include B.C. ports of call in the cruise schedule. As shown Table 4.5, the World Explorer 14-day Alaska round trip cruise schedule has sufficient time to include Victoria as a port of call on the return trip from Alaska.

b. Cruise ships that embark from Seattle or San Francisco.

   The existing stops by cruise ships in Victoria and Port Hardy occur primarily from cruise ships that originate in U.S. ports because these B.C. ports are positioned strategically along their cruise path. As shown in the Sitmar 12 day cruise itinerary in Table 4.6, port of call stops are made at Victoria, Vancouver and Port Hardy on the way to Alaska.

2. Port Reputation

It is important that a port of call be known to customers before it is included as part of the itinerary because it increases the appeal of the overall cruise. Based on the cruise lines contacted, the ports in B.C. that cruise passengers are most aware of are Vancouver and Victoria. Due to the wide-spread publicity in recent years, the Queen Charlotte Islands are also known to Americans. In addition, Port Hardy has gained a good reputation among the cruise lines because of the considerable effort made to welcome and accommodate cruise passengers.

The remaining ports in B.C. are not well known as cruise destinations. The cruise lines and the North American consumer will have to be made more aware

TABLE 4.5

WORLD EXPLORER
14-DAY ROUND TRIP CRUISE BASED FROM VANCOUVER

Day	Port of Call	Arrive	Depart
0	Vancouver	--	5:00 p.m.
1	At Sea		
2	Wrangell	3:00 p.m.	8:00 p.m.
3	Juneau	1:30 p.m.	Midnight
4	Skagway	8:00 p.m.	9:00 p.m.
5	Glacier Bay	7:00 a.m.	9:00 a.m.
6	At Sea	--	--
7	Columbia Glacier	7:00 a.m.	9:00 a.m.
	Valdez	1:00 p.m.	10:00 p.m.
8	Anchorage (Whittier)	7:00 a.m.	9:00 p.m.
9	At Sea	--	--
10	Sitka	8:00 a.m.	5:00 p.m.
11	Ketchikan	10:00 a.m.	5:00 p.m.
12	At Sea	--	--
13	Victoria	1:00 p.m.	Midnight
14	Vancouver	8:00 a.m.	--

Source: Cruise line brochures

of these ports before they can be used to sell the overall cruise package and be considered in current Alaska cruise itineraries.

3. On-Shore Attractions

One of the most important factors in selecting a port of call is the range and availability of on-shore attractions. In addition to having a good reputation, the port must have a variety of things for cruise passengers to see and do. Since most calls last from 4 to 12 hours, the cruise passengers must be entertained during this whole period. The types of activities that should be provided to cruise passengers at ports of call are as follows:

- Harbour tours
- Cultural entertainment
- Native heritage exhibits and performances
- City/museum tours
- Excursions

The above activities must also be packaged so that it is easy for cruise passengers to plan their port of call activities. These tour packages should be offered to cruise passengers before they reach the port in order to organize the delivery of the tours.

One of the constraints of most B.C. ports is the lack of sufficient on-shore attractions and tours to meet the needs of luxury cruise ship passengers. Additional tours will have to be developed in order to attract the cruise vessels that presently cater to the Alaska luxury market segments.

To illustrate the extent and number of tours required by a B.C. port of call for a luxury vessel, Port Hardy has developed the following four tours to offer to the Fairsky which has a rated capacity of approximately 1,200 passengers:

1. One-hour town and country bus tour.

TABLE 4.6

SITMAR ROUND-TRIP ALASKA CRUISE
EMBARKING FROM SAN FRANCISCO

Day	Port of Call	Arrive	Depart
0	San Francisco	--	5:00 p.m.
1	At Sea	--	--
2	Victoria	9:00 a.m.	10:00 p.m.
3	Vancouver	8:00 a.m.	5:00 p.m.
4	Port Hardy	8:00 a.m.	12:00 noon
5	Ketchikan	9:00 a.m.	3:00 p.m.
6	Juneau	10:00 a.m.	10:00 p.m.
7	Skagway	7:00 a.m.	9:00 p.m.
8	Glacier Bay	6:30 a.m.	4:00 p.m.
9	Sitka	7:00 a.m.	12:30 p.m.
10	At Sea	--	--
11	At Sea	--	--
12	San Francisco	9:00 a.m.	--

Source: Cruise line brochures

2. Utah Mine tour.

3. Fishing tour.

4. Harbour tour.

Approximately 1,000 passengers from the Fairsky come ashore during each stop in Port Hardy. Of this total, approximately 300 purchase one of the above four tours. The remaining 700 passengers that come ashore are entertained by the "lob ball" game held between the local community and the ship's crew. In addition, other local entertainment such as festive dancers are organized for the benefit of cruise passengers. The cruise passengers also spend time shopping in local retail shops for souvenirs, gifts, and arts and craft items.

A ranking of Alaska ports is provided in Table 4.7, using the same criteria used to rank B.C. ports. Most Alaska ports rate highly due primarily to the greater port reputation and the extent of on-shore attractions provided. Table 4.8 describes some of the major on-shore attractions offered to cruise passengers in major Alaskan ports of call. As indicated, there exists a wide variety of natural, historical and cultural tours available at each port of call.

As mentioned previously, 80% of round trip cruisers and 92% of Alaska cruise tour visitors purchase day tours in Alaska. As a result, a considerable number and diversity of tours must be available to accommodate these cruise passengers. A breakdown of the different types of day tours purchased in Alaska by cruise passengers in 1986 is provided below:

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TABLE 4.7

RANKING OF ALASKA PORTS OF CALL

	Ketchikan	Sitka	Juneau	Skagway	Whittier Anchorage
Logistical Position	3	3	3	3	3
Appearance					
Overall Site	2	3	2	2	2
Wharf Facilities	2	3	2	2	3
Visual Link to Town	3	3	3	2	1
Access					
Pedestrian Movement	3	3	3	2	2
Proximity to City	3	3	2	1	1
On-Shore Tours					
Harbour Tours	2	3	2	1	3
Cultural Entertainment	3	3	2	3	2
Native Heritage	2	3	2	2	2
City/Museum Tour	3	3	2	2	3
Excursions	2	2	3	2	1
Passenger Facilities					
Reception Area	2	2	2	2	2
Information Booth	3	3	3	1	3
Docking Capacity					
Docks (length)	1	-	1	3	3
Berths	1	-	1	2	3
Lightering	3	3	3	1	-
Port Costs	3	3	3	1	2
Port Reputation	3	3	3	3	3
Shopping/Dining Facilites					
Uniqueness	2	2	2	2	2
Number of Facilities	2	2	2	2	2
Total	48	50	46	39	43

Source: Don Ference & Associates Ltd.

TYPES OF ALASKA DAY TOURS SOLD IN 1986

Tour	% of Total
Area/city tours	39.6%
Cultural shows	5.6%
Day cruises	13.8%
Flightseeing	12.8%
River trips	5.7%
Salmon bakes	14.5%
Guided fishing	7.8%
Other	.2%
TOTAL	100.0%

The most popular day tour (39.6%) sold in Alaska to cruise passengers is area/city tours to familiarize passengers with the port of call. The second most popular day tour (14.5%) is a salmon bake. Other popular tours are day cruises (13.8%), flightseeing (12.8%), guided fishing trips (7.8%), river trips (5.7%), and cultural shows (5.6%).

Another constraint to increasing the number of B.C. ports of call by Alaska luxury cruise lines is that the two major cruise lines serving the Alaska market, Holland America and Princess Cruises, have extensive ownership interests in tour companies, hotels, and on-shore attractions in Alaska. As an illustration, through its subsidiary Holland America Line - Westours, Holland America owns a significant portion of the hotels, motorcoaches, day-boat vessels, and rail cars utilized by Alaska summer cruise/tour passengers. In addition, Holland America, through its subsidiary, Westmark Hotels, owns many of the major hotels in Alaska and the Yukon. Princess Tours owns and operates an Alaska motorcoach company (Royal Highway Tours), rail cars (operated by Tour Alaska) and a hotel at Denali Park.

Due to the extensive ownership of tourism-related assets of these two cruise lines in Alaska, there is considerable incentive for these cruise lines to

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TABLE 4.8

ALASKA SHORE-BASED ATTRACTIONS

Ports	Natural	Historical/Cultural	Social/Festival	Tours
Ketchikan (14,600)	Misty Fjords Nat'l Monument	Totem Heritage Cent. Saxman Totem Park Totem Bight Tongass Hist'l Soc. Museum Creek Street	Alaska Seafest Logging carnival Blueberry Festival	Metlakatla/cruise-flight Area/bus Flightseeing Tlingit Indian canoe trip
Wrangell (2,300)	Stikine River LeConte Glacier Petroiglyph Beach Garnet Ledge	Our Collections Museum Bear Tribal House Wrangell Museum	Fourth of July Fest.	City walk Flightseeing Harbour/boat Fish hatchery Garnet hunt
Petersburg (3,250)	LeConte Glacier Tongass Nat'l Forest	Clausen Memorial Museum Hammer's Slough Sons of Norway Hall	Little Norway Festival	Flightseeing Harbour/boat Fish Hatchery Lumber mill
Sitka (8,500)	Tongass Nat'l Forest Mt. Edgecumbe	Russian cemetery Gold Rush heritage Castle Hill St. Michael's Cathedral Sheldon Jackson Museum Historical Soc. Museum	Summer Music Festival Alaska Day New Archangel Russian dancers All Alaska Logging Champion. Salmon bake	City/bus Historical/bus Harbour/boat Fish hatchery Wildlife/raft Silver Bay/boat
Juneau (28,000)	Mendenhall Glacier	Governor's Mansion Saint Nicholas Church Alaska State Museum Davis Log Cabin Shrine of St. Therese Glacier Bay Nat'l Monument	Salmon Derby	Raft trip Glacier walk Flightseeing Boat excursions
Haines (1,500)	Davidson Glacier Rainbow Glacier Bald eagle preserve Chilkat State Park	Fort Seward Chilkat Museum Chilkat Centre	Salmon bake Alcan 200 Snow Race Biennial Actfest Drama Festival	Raft trip Hiking-Mt. Rapinski
Skagway (712)		Klondike Gold Rush Nat'l Park White Pass & Yukon Railway Gold Rush Cemetary Slide Cemetary Trail of '98 Museum Arctic Brotherhood Hall Jeff Smith's Parlor	Trail of '98 Road Relay	Dyea (ghost town) Dewey Lakes trail hiking City walking tours
Valdez (3,700)	Columbia Glacier Shoup Glacier	Historical tours	Pink Salmon Derby Gold Rush Days Nat'l Square Dance Festival	Bus tour - Alyeska Marine Historical tours
Homer (3,800)	Grewingk Glacier	Museum Art gallery	Halibut Festival	Historical tours Puffin watching Boat trips to Halibut Cove and Town of Seldovia
Whittier (300)	Portage Glacier Whittier Glacier Billings	Museum	Salmon Bake Barbecues	Kittiwaks birdwatching Fishing Hiking trails

Source: Don Ference & Associates Ltd.

select itineraries in Alaska ports where they own land-based attractions. As a result, the major opportunities to establish B.C. ports of call in the Alaska luxury market segment exist with cruise lines, other than Holland America and Princess Tours, that do not own on-shore attractions in Alaska ports.

Holland America and Prince Cruises, however, account for approximately 51.6% of the total capacity of the B.C./Alaska market. The market share of these two cruise lines will also increase with the addition of two new passenger ships currently proposed by Holland America. Based on our discussions with Holland America, the major method of increasing their interest in additional B.C. ports of call would be the establishment of joint ventures to operate tours and on-shore attractions at B.C. ports. This method has several advantages including the following:

a. The cruise lines could be used as a source of financing to establish on-shore attractions and bus tour operations.

   As an illustration, a joint venture could be a possible source of financing to accelerate the fish cannery museum currently being developed at Port Edward near Prince Rupert.

b. If cruise lines enter into joint ventures to establish tours and attractions at B.C. ports, a greater incentive will exist for them to support B.C. ports over the long term.

One strength of B.C. ports is the ability to offer a variety of active on-shore activities to cater to the growing demand for more active port of call excursions. As shown in Table 4.8, most of the Alaska day tours are passive. The types of activities that could be offered to cruise passengers in B.C. ports include the following:

- Salmon fishing
- Golfing
- Canoeing

TABLE 4.9

CAPABILITY OF B.C. PORTS TO HANDLE DIFFERENT SIZES OF CRUISE VESSELS

Port	Noordam	Princess	Starship	Comments
Vancouver	Dock	Dock	Dock	-
Victoria	Dock	Dock	Dock	-
Prince Rupert	Anchor only	Dock	Dock	-
Port Hardy	Anchor only	Anchor only	Possibly dock	Lighter to government wharf
Bella Bella	Anchor only	Anchor only	Possibly dock	Lighter to government wharf
Queen Charlotte Islands	Anchor with difficulty	Anchor only	Dock	Draught restrictions
Alert Bay	Anchor only	Anchor only	Dock	Lighter to government wharf
Powell River	Anchor, if no wind	Anchor, could use dock with difficulty	Dock	Some problems with anchorage
New Westminster	Dock	Dock	Dock	-
Nanaimo	Anchor only	Anchor, if private dock not available	Dock	-
Campbell River	Anchorage available 4 miles away	Anchorage available 4 miles away	O.K., except for large tide or strong winds	Problems with anchorage
Kitimat	Have to anchor if private docks occupied	Have to anchor if private docks occupied	Dock	Some restrictions on anchorage
Howe Sound	No	No	Dock at Britannia only	Too deep for anchorage
Stewart	No	Anchor only	Have to anchor if dock is occupied	Poor anchorage

Source: Interviews with Pacific Coast Pilots Ltd. and Pacific Pilotage Authority

- Hiking
- Scuba diving
- Horseback riding
- River rafting

For example, Campbell River could emphasize its reputation as "Salmon Capital of the World" while Powell River could promote its world class scuba diving reputation.

Another strength of B.C. ports, such as the Queen Charlotte Islands, is the unique Native heritage experiences that are of interest to cruise passengers. A number of other ports such as Bella Bella and Alert Bay possess excellent opportunities to capitalize on Native heritage through further development of on-shore attractions. Some B.C. ports such as Kitimat and Powell River could offer unique industrial tours. As demonstrated in Port Hardy, there exists a considerable demand for educational industry tours.

4. Docking Facilities

Table 4.9 provides an assessment of the capabilities of B.C. ports to accommodate different sizes of cruise ships. This assessment of port activities is based on interviews with the Pacific Pilotage Authority (PPA) and the British Columbia Coast Pilots Ltd. (BCCPL). We have requested these two organizations to indicate the capability of each port to accommodate the following three different sizes of vessels:

a. The 1,214 passenger, 33,930 GRT, 704-foot Noordam.

b. The 626 passenger, 20,000 GRT, 550-foot Island Princess.

c. The 250 passenger, 408 foot Explorer Starship.

The first two vessels listed above represent the types of vessels currently used for the Alaska luxury market segment while the Explorer Starship was included to indicate the capabilities of B.C. ports to handle vessels in the

adventure market segment. Because the trend is toward larger vessels, the Noordam more closely represents the size of future vessels to be built for the Alaska market.

As indicated in Table 4.9, most B.C. ports are capable of providing berthing or anchorage to both of the luxury cruise vessels listed above. The B.C. ports where there would currently be difficulties in obtaining anchorage nearby or where there is a lack of docking facilities are the following:

- Campbell River
- Squamish
- Stewart

In addition, the Pacific Pilotage Authority has indicated that some difficulties with anchorage would be experienced with larger cruise vessels such as the Noordam in the Queen Charlotte Islands. The facilities of these B.C. ports, therefore, would have to be improved, before they could be considered as ports of call for cruise vessels in the luxury market segment.

For the remaining B.C. ports, the luxury cruise vessels could either dock or anchor as shown below:

DOCKING AND ANCHORAGE FACILITIES
AVAILABLE IN B.C. PORTS

Port	Berth	Anchorage
Kitimat	x	x
Powell River		x
New Westminster	x	
Nanaimo		x
Vancouver	x	
Victoria	x	
Prince Rupert	x	x
Port Hardy		x
Bella Bella		x
Alert Bay		x

Source: Interviews with the Pacific Pilotage Authority and the British Columbia Coast Pilots Ltd.

As indicated above, a number of B.C. ports do not presently have sufficient berthing facilities for luxury cruise ships. However, anchorage is available nearby and passengers can be lightered ashore.

As shown in Table 4.7, a number of the Alaskan ports also do not have adequate docking facilities but instead provide good lightering facilities. Therefore, it is not mandatory that docks be constructed to attract the luxury cruise vessels. In fact, some cruise lines have elected to anchor in Alaska ports and use a tender to bring their passengers to shore in order to avoid paying port charges. A similar situation exists in Port Hardy where the ship is anchored in the harbour and the passengers are brought to shore by a tender.

Based on this information, the construction of berthing facilities in B.C. ports should not be given high priority in order to attract luxury cruise vessels. If suitable anchorage is available nearby, the construction of a dock would not significantly increase the probability of attracting cruise vessels as other factors, such as the degree of promotion of the port, port reputation, and volume and quality of on-shore attractions, are more critical determinants in the selection of ports of call by cruise lines. As a result, the initial effort to attract more Alaska luxury cruise vessels to B.C. ports of call should be devoted to marketing B.C. ports and developing sufficient on-shore attractions to interest cruise passengers.

5. Shopping/Dining Facilities

As mentioned previously, round-trip luxury cruise passengers in Alaska spend an average of $20 per day on gifts. Eighty percent (80%) of passengers go shopping for gifts, souvenirs, and arts and crafts and nearly one half of cruise passengers buy clothing. Sixty-eight (68%) percent buy food/beverages. As a result, there must be a sufficient number and variety of dining and shopping facilities in a port in order to meet the needs of luxury cruise passengers. The most important factor is to provide unique shopping and dining experiences in order to stimulate expenditures.

As shown in Table 4.2, Victoria and Vancouver provide the best dining and shopping experience for Alaska cruise passengers and these two ports rank higher in this criteria than Alaska ports of call. As a result, Vancouver and Victoria play unique and vital roles by providing cruise passengers with dining and shopping experiences to complement the wilderness adventure characteristics of the rest of the Alaska tour.

6. Access

One important criteria used in selecting a port of call is the aesthetic appearance of the port and the visual link to the community. As a result, it is desirable for berth or wharf facilities to be located in proximity to the downtown area. As shown in Table 4.2, ports such as Vancouver and New Westminster, rate high in this regard because of the downtown locations of their docks. Victoria rates lower because the berths for large vessels are not located in the town centre. The rationale for a downtown port location is to provide passengers with a maximum degree of flexibility in exploring the port and to eliminate the need for local transportation.

7. Port Charges

In 1988, the harbour dues charged at the public harbour and government wharfs managed by Transport Canada were increased as follows:

a. Harbour dues are to be charged for the first three calls rather than the first two calls made by a vessel, thereby increasing the charge per year by 50%.

b. A passenger charge is to be levied against the number of passengers on the vessel's manifest whether or not they come ashore.

   Previously, the charge was levied only on passengers that came ashore. The above charges relate to all ports investigated except Nanaimo, Prince Rupert, Vancouver, and New Westminster.

TABLE 4.10

COMPARISON OF PORT CHARGES
BASED ON AN 8-HOUR AND FIRST BERTH VISIT TO PORT, BY THE ISLAND PRINCESS
IN CDN $

Port	Berthage	Head Tax	Lightering	Total
British Columbia[1]				
Nanaimo	$ 63	$ -	$ -	$ 663
Port Hardy	-	1,878	-	1,878
Alert Bay	-	1,878	-	1,878
New Westminster	-	-	-	600
Kitimat	99	1,878	-	2,845
Stewart	-	1,878	-	1,878
Powell River	99	1,878	-	2,845
Howe Sound (Squamish)	292	1,878	-	2,038
Bella Bella	99	1,878	-	1,977
Campbell River	99	1,878	-	1,977
Prince Rupert	197	2,948	-	4,531
Victoria	83	4,132	-	5,083
Alaska[2]				
Juneau	1,056	-	-	1,056
Ketchikan	1,064	-	-	1,064
Wrangell	733	-	-	733
Sitka	-	-	67	67
Valdez	267	-	-	267
Whittier	680	1,699	-	2,349
Skagway	1,467	4,924	-	6,391
Haines	184	-	-	184

Note: 1. For all Canadian ports, harbour dues are charged for the first three visits in any calendar year. However, because they are free after that time they have not been included for comparative purposes.

2. Port charges for Alaskan ports have been converted to $ CDN using an exchange rate of $0.75 U.S./$1.00 CDN.

Source: Interviews with Harbour Master of each port.

The proposed charges for 1988 by Transport Canada could result in a 91% increase in harbour dues for a 25,000 GRT vessel carrying 800 passengers. As shown in Table 4.10, the new rates will increase the charges of some B.C. ports above the charges of some Alaska ports.

8. Port Organization

In order to service cruise vessels, it is important that a central organization be established at each port so that the cruise lines deal with only one person to arrange a port of call visit. Some communities such as Port Hardy have been very successful in establishing such organizations.

In Port Hardy, the municipality has established a non-profit committee consisting of representatives from transportation companies, tourist attractions, and fishing boat charter operators. This committee deals directly with the cruise line to determine what types of tours are desired and the likely number of people to be accommodated in each tour. The cruise line then offers the tours to its passengers before arriving at the port. Payment for the tours is made by the cruise passenger to the cruise line. After payment is received from the cruise line, the non-profit cruise committee then distributes the proceeds to the local operators based on the number of passengers handled by each tour operator.

In order to attract cruise lines, a similar organization must be established in other B.C. ports. The existence of a central organization is a key factor in demonstrating the committment of the port to serving cruise ships.

In summary, Vancouver (54) and Victoria (51) achieved the highest ranking for B.C. and Alaska ports (Table 4.2). This finding agrees with the comments by cruise lines that passengers are very satisfied with these two ports. Most of the Alaskan ports, however, rate higher than the other ports in B.C. The rating achieved by Alaska ports ranges from a low of 39 for Skagway to a high of 50 for Sitka. The ranking of 44 achieved by Port Hardy was greater than some Alaska ports. The rating for the remaining B.C. ports investigated was

lower, primarily because of the lack of sufficient on-shore attractions, low port reputation, and the lack of docking facilities.

A summary of the overall strengths and weaknesses of B.C. ports as additional ports of call for Alaska luxury cruise ships is provided below:

Strengths

1. Ports such as Vancouver and Victoria can offer an urban experience to complement the wilderness experience of the Alaska cruise.

2. B.C. ports can provide a "foreign" experience to passengers.

3. B.C. ports can provide active excursions (e.g., fishing and golfing) to complement the passive excursion activities in Alaska.

4. B.C. ports have unique attractions such as Indian heritage displays that are of interest to cruise passengers.

Constraints

1. The ports on the southern point of the B.C. Coast are not positioned logistically for seven day cruises to Alaska because they are located too close to the embarkation port of Vancouver.

2. There are insufficient on-shore attractions and tours, especially in most northern B.C. ports, to meet the needs of cruise passengers.

3. Alaska is the primary destination for cruise passengers and they are mainly interested in Alaskan ports of call.

4. The reputation of B.C. ports, other than Vancouver and Victoria, is not sufficiently high to appeal to North American cruise passengers.

TABLE 4.11

TYPICAL SEVEN DAY ROUND TRIP ITINERARY OF EXPLORER STARSHIP

Day	Location
0	Prince Rupert
1	Misty Fjords/Ketchikan
2	Tracy Arm/Juneau
3	Haines/Skagway
4	Glacier Bay
5	Sitka
6	Yakutat Bay/Hubbard Glacier
7	Columbia Glacier/ Whittier/ Anchorage

Source: Exploration Cruise Lines

5. The level of awareness of most cruise lines to the unique features of B.C. ports is very low.

6. The two major luxury cruise lines serving the Alaska market have extensive ownership interests in land-based tour companies and on-shore attractions in Alaska.

7. The port charges of some B.C. ports are not competitive with some Alaskan ports.

In summary, the opportunities in the short-term to obtain additional B.C. ports of call from the cruise vessels currently serving the luxury Alaska market are limited. The major constraints that must be overcome are the lack of awareness of B.C. ports by Americans and the focus on Alaska as the primary destination.

In the long term, however, there exists opportunities to participate in the current Alaska luxury market segment if the awareness and appeal of B.C. ports is increased. As the overall cruise market expands and matures, there will be a need to establish more diversified and varied itineraries. Consequently, the timing is appropriate for B.C. ports to now embark on a marketing and development program to penetrate the growing luxury market segment.

Adventure Market Segment

As mentioned previously, the adventure market segment is relatively small accounting for only 3.5% of the overall B.C./Alaska market. This market is presently served by Exploration Cruise Lines with two vessels, the Explorer Starship and the North Star. Both of these ships are based out of Prince Rupert and travel to nearby Alaska ports. A typical itinerary of the Explorer Starship is provided in Table 4.11.

The adventure market segment utilizes small vessels. As a result, the port facilities required to accommodate such vessels are minimal. Cruise lines that offer adventure cruises typically stop at smaller ports of call. The major areas of interest to such cruise lines are the natural and historical attractions. The port of call stops are based on active excursions such as river rafting, fishing, and hiking. The demand for shopping and dining facilities by adventure cruise passengers is very limited.

Our observations and findings regarding the suitability of B.C. ports of call for this market segment are described below:

1. On-Shore Attractions

B.C. is well-endowed with natural and heritage attractions to cater to the needs of this market segment. Some of the major strengths of B.C. in this market segment are as follows:

a. Extensive native heritage that can be experienced in areas such as the Queen Charlotte Islands, Bella Bella, and Alert Bay.

b. An abundant and diverse supply of marine and animal life, especially along the northern coast of B.C.

c. A number of highly-scenic cruising destinations.

Some cruising areas that appeal to this market segment are the Queen Charlotte Islands, the extensive fjord system at the north coastal areas (Fjordland) near Bella Bella, and the islands and inlets in the area comprising Desolation Sound and the Gulf Islands.

d. The Queen Charlotte Islands have attracted world-wide attention as a result of the Haida in their struggle to prevent logging of South Morseby and the recent declaration of the area as a national park.

Due to the lack of sufficient land-based infrastructure, adventure cruise vessels provide the best opportunity for adventure tourists to experience the attractions of the South Moresby area. The major advantages to employing a smaller adventure cruise vessel to promote tourism in the Queen Charlotte Islands are as follows:

a. The need to develop hotels and restaurants facilities to cater to tourists is eliminated because these facilities are provided on the vessel.

b. The negative impact on the Queen Charlotte Islands is minimized because these vessels bring only small groups of people to the islands at one time. The infrastructure facilities in the Queen Charlotte Islands are not capable of handling cruise ships containing 1,200 passengers at this time.

c. There exist opportunities to undertake a wide variety of adventure activities, including: golfing; hiking; scuba diving; fishing; canoeing; and horseback riding.

2. Logistical Position

Because the U.S. Passenger Shipping Act presently stipulates that ports of call must be made in both Canada and U.S. ports by foreign-flag vessels, the northern ports in B.C. such as Prince Rupert and the Queen Charlotte Islands are strategically positioned to capitalize on the Alaska adventure market segment.

Due to the high degree of interest in the Queen Charlotte Islands, there are considerable opportunities to increase the current number of ports of call. A number of adventure cruise lines such as Lindblad Travel and Special Expeditions are currently investigating the possibility of offering Alaska cruises that include a visit to the Queen Charlotte Islands.

Other B.C. ports that could penetrate this market are Bella Bella, Port Hardy and Alert Bay. Bella Bella is in proximity to Fjordland and Port Hardy and Alert Bay are positioned near the Desolation Sound cruising area.

The opportunities for more southern B.C. ports in the Alaska adventure market segment are more limited due to the extensive travelling time required by the smaller adventure cruise ships to travel to Alaska ports as well as B.C. ports. These ports are more appropriately positioned for pocket or adventure cruises based solely in B.C. waters or ships based in Seattle.

3. Docking Facilities

Due to their small size, the docking facilities required by adventure cruise ships are minimal. In fact, most of the ships are equipped with a bow ramp, thereby, eliminating the need for a wharf. As shown in Table 4.9, the docking facilities of almost all B.C. ports are presently adequate to meet the needs of adventure cruise vessels. As a result, the further development of port facilities is not required in order to cater to this market segment.

In summary, the opportunities for B.C. to penetrate the Alaska adventure market segment are excellent. While the size of this market segment is relatively small, it is projected to expand due to an increase in the number of experienced cruisers who prefer smaller vessels. In order to increase the current use of B.C. ports, however, it will be necessary to increase the awareness of adventure cruise lines of the natural and heritage features of B.C. and encourage these cruise lines to develop itineraries based on B.C. ports.

The major opportunities for B.C. ports in this segment are for ports located near regions possessing outstanding natural and heritage features of interest to the cruise lines. For example, Prince Rupert and Skidegate are ideally

positioned as ports of call for adventure cruises in the Queen Charlottes. Similarly, ports in the mid-coast of B.C., such as Bella Bella, Port Hardy and Alert Bay, could function as ports for cruises to the north coast fjords and Desolation Sound.

The economic impact of adventure-oriented cruises at ports of call is not as great as luxury cruises because of the emphasis on nature-oriented experiences and an avoidance of commercial touring and shopping. However, some of these vessels base themselves in a particular region for a season. As a result, there is an economic impact for the gateway ports of call, as passengers typically stay one or more nights in the port either prior to embarkation or after disembarkation from the cruise.

E. DEVELOPMENT STRATEGY

In summary, the key intervention required to increase the number of ports of call made by Alaska cruise passengers in both the luxury market and adventure market segments is to enhance the awareness of the American public of the appeal of B.C. ports. The sequence of steps required for B.C. to capitalize on the existing Alaska cruise market are as follows:

General

1. The level of awareness of cruise lines of the unique features of B.C. ports must be increased.

   Accordingly, the manual of B.C. Ports and Cruise Destinations that is currently being prepared should be distributed to all major cruise lines based in North America. A list of the cruise lines that should receive this document is provided in Appendix 1. As indicated, the manual should be sent to the following different types of cruise lines:

   a. Cruise lines currently servicing the Alaska luxury market segments.

b. Other major cruise lines in North America that could potentially enter the Alaska market.

c. Cruise lines operating smaller vessels that could potentially enter the Alaska adventure cruise market.

In addition to the manual of B.C. Ports and Cruise Destinations which is factual and descriptive in nature, a more sales-oriented booklet providing visual descriptions of B.C. ports should be prepared and sent simultaneously to the cruise lines. Because the visual appeal of the ports is a major selection criteria of luxury cruise lines, the production of this additional sales booklet is mandatory to increase the interest in or awareness of B.C. ports by the cruise lines. The sales booklet should also contain vivid descriptions and pictures of British Columbia such as B.C. fjords, to create interest in B.C. as a cruise destination.

2. An aggressive marketing effort should be undertaken by the Cruise Industry Association of B.C. (C.I.A.B.C.) to promote the interests of B.C. ports.

The marketing of B.C. ports should be undertaken by C.I.A.B.C. rather than the ports individually in order to maximize the efficiency and reduce the costs of a promotion program. The major components of the ports marketing program that should be undertaken by C.I.A.B.C. are as follows:

a. The most effective method of promoting B.C. ports is for the C.I.A.B.C. to contact the cruise lines directly through personal visits and telephone contacts. For the larger cruise lines, the Marketing Vice-President should be the primary contact while the President should be the key contact for the smaller cruise lines.

b. Regular attendance at cruise industry trade shows such as the annual Seatrade Cruise Shipping Conference should be undertaken by C.I.A.B.C. in order to establish and maintain contacts with cruise industry representatives.

A booth should be rented at trade shows and sales brochures prepared to indicate the variety of features offered by B.C. ports. In addition, a video of B.C. ports should be prepared to better illustrate B.C. cruising destinations and ports.

3. In order to increase the awareness of B.C. ports, an advertising and promotion campaign must be initiated by the C.I.A.B.C.

The most effective means of increasing the awareness of B.C. ports through an advertising and promotion campaign are as follows:

a. Develop and distribute a brochure of B.C. ports to all travel agents in North American that specialize in selling cruises.

According to recent studies, travel agents play a very significant role in influencing the decision to take a cruise as well as the type of cruise to take. While there are 27,000 travel agents in North America, approximately 5,000 agents sell 80% of the total number of cruises purchased in North America.

b. Develop a video to be shown in all cruise ships that currently travel to Alaska.

The purpose of the video is to increase the awareness and interest in B.C. as a cruising destination. At the present time, videos of cruises of Norwegian fjords are

sometimes shown on Alaska ships while passing through B.C. waters.

c. Increase the references made to B.C. cruising areas (such as the extensive fjord system in B.C.) in the general image advertising undertaken by Tourism B.C.

Luxury Market

4. In order to obtain additional B.C. ports of call by Alaska luxury cruise vessels, greater emphasis should be devoted to promoting cruise lines, other than Holland America and Princess, that do not have extensive ownership interests in Alaska land-based attractions and tour operations.

The cruise lines presently serving the Alaska luxury market that should be given top priority in promotional efforts by C.I.A.B.C. are the following:

- Admiral Cruises
  Miami, Florida
- Cunard
  New York, New York
- Regency Cruises
  New York, New York
- Royal Cruise Lines
  San Francisco, California
- Royal Viking Lines
  San Francisco, California
- Sitmar Cruises
  Los Angeles, California

- World Explorer
  San Francisco, California

- Costa Cruises
  Miami, Florida

5. In order to encourage cruise lines such as Holland America and Princess Tours to utilize B.C. ports of call, joint ventures to establish and operate on-shore attractions should be proposed to these cruise lines.

   As an illustration, the participation of one of these two cruise lines in the ownership and development of the fish cannery museum in Prince Rupert is an example of such a joint venture that could be proposed to encourage these cruise lines to add Prince Rupert as a port of call.

6. Top priority should also be given to promoting B.C. ports to new cruise lines that have just recently or are considering entering the Alaska cruise market.

   This is an attractive target market because these cruise lines do not have ownership interests in Alaska ports of call. Furthermore, they could be encouraged to add B.C. ports in order to provide a combined Canada/Alaska cruise thereby differentiating their cruises from the existing cruise lines that feature Alaska only.

   One cruise line that is just entering the Alaska market is Sea Venture Cruises of Miami, Florida while a second, Happag Lloyd of West Germany is expanding its Alaska programme. Some of the other cruise lines that could potentially enter the Alaska market in the future and that should be approached are:

   - Carnival Cruise Lines
     Miami, Florida

- Norwegian Cruise Lines
  Miami, Florida

- Premier Cruise Lines
  Cape Canaveral, Florida

- Chandris
  New York, New York

- Signet Pride
  San Francisco, California

- Bermuda Star Line
  New Jersey

- Home Lines
  New York, New York

- Ocean Cruise Lines
  Ft. Lauderdale, Florida

7. For cruise lines that offer seven day round trip or one-way Alaska cruises embarking from Vancouver, emphasis should be placed on offering ports in northern B.C. as a replacement for Alaska ports because they are more logistically positioned along the route than ports in southern B.C.

8. The major target markets that should be promoted for southern B.C. ports are the following:

   a. Alaska cruises embarking from Vancouver that offer cruises longer than 7 days in duration because more time is available to add a B.C. port. The existing Alaska cruise vessels that should be targeted are the Sagafjord, Cunard Princess and Universe.

   b. Alaska cruises embarking from San Francisco and Seattle. The vessels that currently embark from these two ports to Alaska include the following: Fairsea, Sea Princess, Fairsky and Royal Viking Sky.

The ports in southern B.C. that presently cater to this market are Vancouver, Victoria and Port Hardy. However, other ports such as Nanaimo, Alert Bay, Powell River and Campbell River could potentially serve this market segment.

9. The primary features of B.C. ports that should be promoted to cruise lines in the Alaska luxury market segment are as follows:

    a. Unique Native heritage.

    b. Active excursions such as golfing, fishing, canoeing, river rafting and hiking.

    c. Abundant and diverse wildlife and marine animals (e.g., whale watching and eagle watching).

    d. Shopping and dining experiences in ports such as Vancouver and Victoria.

    An additional feature that should be presented is the opportunity to experience a "foreign" country as this is a competitive advantage over Alaskan ports.

10. In order to penetrate the Alaska luxury market, the primary emphasis of B.C. ports should be on developing additional tours and on-shore attractions rather than improving berthing facilities.

    As indicated previously, on-shore attractions are one of the most important factors utilized by cruise lines in the luxury market segment to select ports of call. The specific steps that should be taken by B.C. ports in order to cater to the needs of cruise lines, are as follows:

    a. The establishment of a welcoming committee in each port to greet each cruise ship.

b. The development of at least five tours in each port for passengers to take. These tours should include a city tour and harbour tour. Tours should also be packaged to see the major heritage and natural attractions in the area. In addition, an activity-oriented tour such as golfing or fishing should be offered.

c. The extension of opening hours of retail shops, restaurants and attractions in the port to correspond with the visits of cruise ship passengers.

d. The establishment of a central contact in the community to coordinate the tours and attractions and to liaise with the cruise lines.

e. The publication and distribution of brochures to cruise passengers that identify things to see and do in the community.

f. The development of local entertainment such as dancers, singing performances, and contests (e.g., "lob" ball games) to make cruise passengers feel welcome in the community.

11. The charges of B.C. ports managed by Transport Canada should be maintained at a level that is competitive with Alaska ports.

In addition, a minimum of eight to ten month's lead time should be employed in the announcement of intended changes to port tariffs in order that cruise lines can adjust their rates accordingly.

Adventure

12. In order to expand the adventure segment of the Alaska cruise market, top priority should be given to attracting additional adventure cruise lines that are based in B.C. ports.

    Some of the adventure cruise lines that should be contacted are as follows:

    - Lindblad Travel
    - Special Expeditions
    - Windstar Sailing

    A more detailed list of cruise lines with smaller vessels is provided in Appendix 1.

13. The major features of B.C. that should be employed to promote the adventure cruise market are as follows:

    a. Queen Charlotte Islands.

    b. B.C. north coast fjord system near Bella Bella and Desolation Sound.

    c. Extensive wildlife and marine life.

    d. Native heritage.

    e. Activities such as hiking, golfing, fishing, scuba diving, river rafting, and horseback riding.

14. Higher priority should be given to promoting the northern ports in B.C. to the adventure market segment because they are logistically positioned closer to Alaska which is the primary destination.

In addition, these cruise passengers are more interested in the natural and heritage attractions than in urban experiences.

15. The Queen Charlotte Islands should be developed as a key attraction for the adventure cruise market.

Due to the restrictions and difficulties in establishing land-based tourism infrastructure, small cruise ships represent one of the most appropriate methods of providing tourists with an opportunity to experience areas such as the South Morseby area.

In order to accommodate the needs of this market segment, however, it is necessary to develop tours and excursions in order for cruise passengers to experience the natural and heritage attractions of the Queen Charlotte Islands. As an illustration, the provision of guided interpretive tours by the Skidegate Band to ancient Indian villages such as Ninstints would be an excellent tour for such clientele.

TABLE 5.1

PRE AND POST EXCURSIONS IN B.C. INCLUDED IN CRUISE LINE BROCHURES

Cruise Line	Vancouver Overnight	Vancouver 2 Nights Or More	Vancouver/ Victoria
Admiral	1	-	-
Royal Viking Line	-	1	-
Holland America	1	-	1
Costa	1	-	1
World Explorer	-	1	-
Princess	1	-	-
Regency	1	1	-
Cunard	-	-	1

Source: Don Ference & Associates Ltd.

V. PRE AND POST CRUISE TOUR OPPORTUNITIES

This chapter contains our findings regarding the opportunities to increase the sale of pre and post cruise tours in B.C. to Alaska cruise passengers. The major purpose of expanding sales of these tours is to increase the expenditures by Alaska cruise passengers in British Columbia.

A. CURRENT ACTIVITY

The Alaska cruise passengers that currently embark from Vancouver utilize a number of different methods to travel to Vancouver. According to a recent study undertaken by Gary Duke & Associates Ltd., between 35% and 45% of Alaska cruise passengers fly directly to Vancouver to meet their cruise ship. The majority of remaining passengers, however, fly to Seattle and then are bussed or take a commuter flight from Seattle to Vancouver.

Some cruise lines presently include pre and post tours in their sales brochures. As a result, these tours are booked at the same time that the cruise package is purchased. As shown in Table 5.1, only about one half of the existing cruise lines that use Vancouver as an embarkation port offer longer than overnight hotel tour packages in Vancouver. In addition, only about one half of the cruise lines currently offer a combined Vancouver/Victoria package. With the exception of one Whistler package, no other B.C. destinations are offered in the existing sales brochures of cruise lines serving the Alaska market.

Some of the cruise lines own separate tour wholesale companies that offer tours in B.C. As an example, Royal Johansen Tours, which is owned by Holland America, offers tours in B.C. and Alberta. Holland America and Princess have been very successful in selling a combined Rockies and Alaska cruise package. According to the study undertaken by Gary Duke & Associates Ltd., these two cruise lines are estimated to have sold 2,500 of these combined cruise packages in 1987.

TABLE 5.2

FUTURE MARKETING STRATEGY OF CRUISE LINE INDUSTRY

Marketing Considerations	Less Emphasis	Same Emphasis	More Emphasis
Nationwide TV (U.S.)	.6%	14.1%	85.3%
Cruise and Land Combination	3.5%	30.2%	66.3%
Direct Mail to Passengers	4.1%	42.3%	53.6%
Direct Selling to Passengers	7.3%	50.9%	41.8%
Telemarketing to Agents	4.3%	36.1%	59.6%
Visits to Agents	8.9%	36.3%	54.8%
Reliance on Major Wholesalers	3.0%	57.6%	39.4%
Price Discounting	5.3%	46.2%	48.5%

Source: Cruise Shipping '88, A Seatrade Conference; cassette.

The study also indicated that between 30,000 and 35,000 hotel room-nights are purchased by cruise passengers in Vancouver before or after their cruise. Since most of these hotel rooms are double-occupancy, a total of 60,000 to 70,000 Alaska passengers spend at least one night in Vancouver. Compared to the total of 163,639 Alaska passengers that embarked or disembarked from Vancouver in 1987, this equates to approximately 40% of Alaska cruise passengers spending one night in Vancouver.

B. PRE AND POST CRUISE EXPENDITURES

The expenditures by Alaska cruise passengers in B.C. on hotel accommodation and meals is estimated to range between $3.9 million and $4.6 million.

With regard to pre and post tours, the sale of combined Rockies and Alaska cruise tours is estimated to result in expenditures of $2.5 million in Canada. In addition, the expenditures on shorter one to two day pre and post tours in B.C. is estimated to range between $5 and $9 million. The total expenditures on pre and post tours, therefore, is estimated to be in the range of $7.5 to $11.5 million.

The economic impact of pre and post tours is widespread. Because most of the passenger-related expenditures are made in labour intensive areas such as restaurants and hotels, the employment generated from the Alaska cruise market is significant.

C. INDUSTRY TRENDS

The current trend in the overall cruise industry is to offer a multi-destination experience. As shown in Table 5.2, 66.3% of all delegates attending the 1988 Seatrade Cruise Shipping Conference, indicated that more emphasis would be placed in the future on cruise and land combinations rather than on cruise-only packages. In fact, the cruise plus land combination was rated second highest in terms of the priority to be given in future marketing efforts by the cruise industry representatives.

TABLE 5.3

PREFERENCE FOR COMBINED CRUISE AND CARIBBEAN RESORT PACKAGE

Degree of Cruising Experience	Yes	No
Light	78.5%	21.5%
Medium	62.8%	37.2%
Heavy	54.7%	45.3%
Age		
Under 40	76.7%	23.3%
40 to 65	65.0%	35.0%
Over 65	61.4%	38.6%

Source: Cruise Shipping '88, A Seatrade Conference; cassette

The major advantages to be gained from offering a cruise plus land combination are as follows:

1. A combined land and cruise package caters to the growing preference of the consumer for a multi-destination experience.

2. By adding a land tour, a larger market is tapped because the demand for land packages is different from, and considerably greater, than the current demand for cruise packages.

3. A combined cruise plus land package, is all-inclusive in nature and, therefore, convenient for consumers to purchase.

   According to industry representatives, people want to have their vacation choice made for them because vacation decisions are one of the most difficult decisions for consumers to make.

4. A combined land plus cruise package reduces the perceived risk involved in the purchase.

   Because some consumers are unsure of whether they would like a cruise, they prefer to combine the cruise with a land package because they are more familiar with land packages. This combination package, therefore, reduces the level of risk (ie. the possibility that they will be disappointed with the overall vacation) perceived by customers in trying to select vacation alternatives.

The growing demand for combined cruise and land packages was demonstrated in a recent survey of cruise passengers by Market Scope Inc. In this survey, the proportion of cruise passengers that preferred a cruise plus Caribbean resort package varied from 54.7% to 78.5%, depending on age and the degree of cruising experience.

As shown in Table 5.3, the less experienced cruisers exhibit a greater preference for combined land and cruise packages than the more experienced

cruisers. In addition, younger consumers demonstrate a greater preference for combined cruise and Caribbean resort packages than older cruise passengers. Consequently, the provision of land plus cruise packages is especially critical for enticing younger, inexperienced cruisers.

One example of a very successful land and cruise package is that offered by Premier Cruise Lines which consists of a short (3 to 4 day) cruise combined with a (3 to 4 day) Disney World Tour. The number of land/cruise passengers handled by Premier Cruise Lines, based out of Port Canaveral, Florida, has increased dramatically in the last five years as shown below:

PREMIER CRUISE LINES
SALES OF DISNEY WORLD/CRUISE PACKAGES

Year	Number of Packages Sold
1984	5,000
1985	15,000
1986	75,000
1987	135,000
1988	165,000

The growing demand for combined land and cruise packages has also been demonstrated in the B.C./Alaska market. While round trips still account for over half of the market, the trend is toward one-way cruises with a land tour in Alaska added at the beginning or end of the cruise.

As demonstrated previously, the economic impact of cruise tour passengers in Alaska is substantially greater than the round trip cruisers. In 1986, cruise tour passengers accounted for expenditures of $64 million in Alaska while round trip cruise passengers accounted for only $17 million in expenditures. If 20% of these expenditures could be diverted to B.C., the additional tourism revenues earned in B.C. would be approximately $16 million per year.

D. MARKETING OPPORTUNITIES

In order to determine the potential to increase the current number of pre and post cruise tours sold in B.C., we contacted the marketing executives of each of the cruise lines that currently offer Alaska cruises embarking or disembarking from Vancouver. In addition, we conducted a telephone survey of a random sample of 50 travel agents in major cities across the U.S. that specialize in selling cruise packages. The major results of our market research are as follows:

1. A considerable opportunity exists to increase the current number of pre and post cruise tours sold in B.C.

   As shown below, 86% of the cruise lines contacted indicated that there was either some or lots of potential to increase the sales of pre and post cruise tours for cruise passengers embarking from Vancouver:

POTENTIAL TO INCREASE SALES
OF B.C. PRE AND POST CRUISE TOURS

Potential	% of Responses
Lots	29%
Some	57%
None	14%

   In addition, 72% of all of the travel agents surveyed indicated that B.C./Alaska cruise passengers would be interested in buying more pre and post tours in B.C. if they were available.

2. The cruise lines contacted indicated that the greatest potential is to increase the sales of a combined Vancouver/Victoria package.

A similar finding was obtained regarding the potential of combined Vancouver/Victoria packages from our survey of travel agents.

3. According to the travel agents surveyed, sightseeing ranked highest in terms of the type of activities that are of greatest appeal to Alaska cruise passengers during a pre and post cruise tour.

   According to the travel agents contacted, the different types of activities preferred for pre and post tours are as follows:

TYPES OF ACTIVITIES PREFERRED
FOR PRE AND POST CRUISE TOURS

Activity	% of Total
Sightseeing	72%
Unique Attractions	16%
Riverboat Cruises	4%
Native Culture	2%
Fishing	2%
Other	4%

4. While Victoria and Vancouver are the primary destinations for pre and post cruise tours, the cruise lines also indicated that a Rockies tour would have considerable appeal.

   The success of the combined cruise plus Rockies tour by Johansen Tours demonstrates the potential in this market. In addition, tours to other locations such as Whistler as well as fishing tours should be offered.

5. The constraints to pre and post tours identified by the travel agents and cruise lines are as follows:

a. Alaska is the primary destination of cruise passengers. As a result, they will be inclined to purchase pre and post tours in Alaska rather than in B.C.

b. It is difficult for some passengers to spend the additional amount of time required to take a pre and post cruise.

c. For a limited segment of the market, the additional cost of a pre or post cruise tour reduces the number of customers that can afford to purchase it.

d. The lack of awareness of B.C. as a destination reduces the demand for pre and post tours in B.C. If more promotion were devoted to B.C. destinations, however, the demand for pre and post tours could be increased.

In summary, there is an immediate opportunity to capitalize on the existing Alaska/B.C. cruise market by increasing the number and type of pre and post cruise tours sold in B.C. While the initial demand is primarily for tours in Vancouver, Victoria and the Rockies, there also is potential in the long-term to sell tours to other destinations in B.C. Some examples of the other types of pre and post tours that would appeal to cruise passengers are as follows:

- Three-day circle tours to Squamish/Whistler and Lillooet by train and then by bus to Harrison Hot Springs and back to Vancouver.

- Two to three day fishing trips to Campbell River.

- Two to three day whale-watching tours in Port Hardy or Ucluelet.

In the long-term, the market for pre and post tours in B.C. is projected to grow as the overall demand for combined land and cruise packages increases. B.C. is well-positioned to capitalize on this trend because it already has a fairly well-established land component.

E. DEVELOPMENT STRATEGY

The major steps required to increase the current number of pre and post cruise tours sold in B.C. are as follows:

1. A directory of B.C. pre and post tours should be produced.

2. An aggressive marketing effort should be undertaken by C.I.A.B.C. to increase the sale of pre and post tours.

   The directory of B.C. pre and post tours should be sent to each cruise line currently in the Alaska market. Follow-up contacts should then be made with each cruise line to include pre and post tours in their sales brochures. At a minimum, each cruise line should be encouraged to include a two night Vancouver and a combined three day/two night Vancouver/Victoria tour package in their sales brochures.

   The increased sales of pre and post tours would also help to reduce the bottleneck of air lift capacity at the Vancouver International Airport during the weekend because the sale of pre and post tours would disperse the arrival and departure of these visitors throughout the week.

3. The directory of B.C. pre and post tours should be sent to all travel agents that specialize in cruise package sales.

VI. OPPORTUNITIES FOR CRUISES IN B.C.

The previous two chapters of the report indicated the potential for British Columbia to capitalize on the Alaska cruise market. In addition to the Alaska cruise market, however, another potential market consists of cruises undertaken solely in British Columbia's waters.

This chapter describes the attempts that have been made in the past and the potential to establish cruises based solely in B.C. waters. In particular, we have focussed our research on the market opportunities for "pocket" or "mini" cruises. "Pocket cruises" is another name for adventure cruises in most instances. "Pocket" cruises refer to cruises on smaller vessels (less than 250 to 300 passengers) such as that employed by adventure cruise lines. These ships do not travel as far as larger vessels and usually travel to areas not accessible by larger ships.

"Mini" cruises refer to short cruises by larger vessels that vary from one to four days in length. "Mini" cruises are similar to economy cruises except that they are often shorter in length.

A. BACKGROUND

At the present time, the only cruises undertaken solely in B.C. waters are day rather than overnight cruises. The major day cruises offered in B.C. include the following:

1. Inside Passage Cruise

A day cruise between Port Hardy and Prince Rupert is offered by the B.C. Ferries Corporation. The vessel employed is the 750-passenger Queen of the North. The total number of passengers transported by the Queen of the North between Port Hardy and Prince Rupert in 1987 was 65,104.

2. Victoria - Seattle Cruise

B.C. Steamship Company operates two vessels, the 1,800 passenger Princess Marguerite and the 1,000 passenger, Vancouver Island Princess, that each make approximately 150 trips per year between Seattle and Victoria. These vessels operate during the months of May to October.

The B.C. Steamship Company is owned by the B.C. Government. However, the company is being privatized and the B.C. Government is presently inviting bids to operate the existing company on a joint venture basis. The cruise products to be offered in the future, therefore, could change.

3. Lady Rose

The Lady Rose is a 100-passenger vessel that offers day trips on the West Coast of Vancouver Island from Port Alberni to Barkley Sound. The ship also supplies freight and serves the communities of Ucluelet, Port Alberni, Bamfield, and various small logging camps on a year round basis. The Lady Rose made approximately 250 trips in 1987.

4. Uchuck III

This 100-passenger freight and passenger vessel provides trips from Gold River to Tahsis, Kyuquot and Friendly Cove. This vessel makes 3 to 4 trips per week on a year-round basis. In 1987, approximately 3,000 passengers travelled on this vessel.

In addition to the above day-cruises, several attempts have been made in the past to establish overnight cruises based primarily in B.C. waters. Some of the cruises that have been attempted in B.C. are as follows:

1. Two Canadian flag vessels, the Prince George and Princess Patricia, attempted to offer combined B.C./Alaska cruises in the early 1980's. However, both of these operations proved uneconomical.

2. In 1981, Exploration Cruise Lines operated two to six night coastal cruises using 100-passenger vessels.

   These ships embarked from Seattle and the itinerary included Puget Sound and the Gulf Islands. According to representatives of Exploration Cruise Lines, the demand for the cruise was not sufficient and the vessels were re-deployed to other destinations.

3. Great Pacific Cruise Lines has recently attempted to establish cruises in B.C. based out of Seattle.

   The vessel used was the 80 passenger M/V Columbia and the cruise itinerary included Seattle, Port Angeles, Victoria, Salt Spring Island, Nanaimo, Vancouver and Friday Harbour. While the demand for the cruises was strong, the company has ceased operations due to financial difficulties.

As indicated above, the attempts, to date, to establish overnight cruises in B.C. waters have not been successful. However, due to the growing demand for cruises, a number of companies now feel that sufficient demand exists and they are currently planning to market cruises based in B.C. waters. A description of the proposed cruises is provided below:

1. Exploration Cruise Lines

Exploration Cruise Lines attempted to establish cruises embarking from Seattle and cruising the south coast of B.C. and Puget Sound in the early 1980's. The company plans to offer similar cruises in 1989 because they feel that the market has sufficiently increased in size to support at least one vessel in the 100 to 150 passenger range.

2. Pacific Argosy Tours

Pacific Argosy Tours has recently purchased the 76 foot Pacific Argosy vessel that is capable of accommodating 45 passengers. This Canadian

TABLE 6.1

PROPOSED ITINERARY OF SPIRIT SEA FANTASIES

5 Day Cruise		7 Day Cruise	
Time	Location	Time	Location
22:00	Depart Vancouver	22:00	Depart Vancouver
06:00	Passing Cape Mudge	06:00	Passing Cape Mudge
11:00	Arrive Robson Bight	11:00	Passing Robson Bight
14:30	Arrive Alert Bay	14:30	Arrive Alert Bay
24:00	Depart Alert Bay via Knight's Inlet and Wellbores	06:00	Arrive Haki Pass
		07:30	Depart Haki Pass
18:00	Arrive Thurston Bay Marine Park	12:00	Arrive Bella Coola
06:00	Depart Thurston Bay	13:30	Depart Bella Coola
13:30	Passing Stewart Is., south bound after Bute Inlet	18:00	Arrive Haki Pass
		20:00	Depart Haki Pass
17:30	Arrive Desolation Sound via Pryce Channel	09:00	Arrive Kelwnuggit
		10:00	Depart Kelwnuggit
06:00	Depart Desolation Sound	15:30	Arrive Port Simpson
13:00	Arrive Princess Louisa Inlet	23:00	Depart Port Simpson
18:00	Arrive Garden Bay	07:00	Arrive Stewart
07:00	Depart Garden Bay	24:00	Depart Stewart
12:00	Arrive Vancouver	08:00	Arrive Prince Rupert
		16:00	Depart Prince Rupert
		13:00	Passing Alert Bay
		24:00	Passing Cape Mudge
		12:00	Arrive Vancouver

Source: Spirit Sea Fantasies Business Plan

flag vessel would embark from Vancouver and offer seven-day packages cruising the Gulf Islands. Due to the lack of berths on the Pacific Argosy, the ship would dock each night and accommodation would be provided by hotels in the following areas along the itinerary: Sunshine Coast, Powell River, Campbell River, Hornby Island, Yellowpoint and Victoria.

The company is presently attempting to raise financing for the proposed venture on the Vancouver Stock Exchange. As a result, the start-up will depend largely upon the degree of success of the proposed public offering.

3. Spirit Sea Fantasies

Spirit Sea Fantasies has proposed to purchase two vessels. One of the proposed vessels has a capacity of 145 passengers and would offer 5 day and 7 day cruises in B.C. coastal waters. As shown in Table 6.1, the seven-day round trip cruise would embark from Vancouver and travel to Stewart while the proposed five day cruise would consist of a round trip from Vancouver to Alert Bay. The focus of both tours would be the extensive fjord system in B.C. and include stops in B.C. marine parks.

The second vessel proposed by Spirit Sea Fantasies is a sternwheeler that would provide day cruises on the Fraser River. Similar river cruises have become quite successful in other parts of North America.

The river cruises would be marketed both to cruise passengers on the larger vessel as well as other individuals generating a separate market. Both vessels would be Canadian-flag ships and would be based in New Westminster. In the off-season, however, the plans are to base the larger vessel in the South Pacific.

Spirit Sea Fantasies is presently attempting to raise financing for the purchase of the two vessels. As a result, the start-up date of the proposed operation is uncertain at this time.

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TABLE 6.2

CANADA/NEW ENGLAND CRUISE MARKET IN 1987

Cruise Line	Name of Vessel	Passenger Capacity	Length of Cruise (days)	Route	Number of Cruises
Sun Line (New York)	Stella Solaris	620	12	New York, Atlantic Canada, Quebec	7
Thomson Vacations (Toronto)	Jason	325	7	Montreal, Quebec, Gaspe, Summerside, Halifax, Bar Harbour, Saint John	20
Bermuda Star Line (Teaneck, NJ)	Canada Star	715	7 - 11	New York, New England, Sydney, Saguenay River, Halifax, Quebec City, Montreal, New York	15
Cunard Line (New York)	Sagafjord	589	10	Ft. Lauderdale, New York Bar Harbor, Halifax, Saguenay River, Quebec City, Montreal	2
American Canadian Line (Warren, RI)	Caribbean Prince	80	12	Montreal, Warren	7
	New Shoreham II	72	12	Montreal, Warren	9
Ocean Cruise Lines (Ft.Lauderdale)	Ocean Princess	500	7	Montreal, Quebec City, Halifax, Cape Cod Canal, Newport, Martha's Vineyard, Philadelphia	9
Royal Cruise Line (San Francisco)	Royal Odessey	816	7	New York, Bar Harbor, Quebec City, Saguenay River, Montreal	4
Royal Viking Line (San Francisco)	Royal Viking Sky	710	14	New York, Cape Cod Canal, Provincetown, Bar Habor, St. Pierre and Miquelon, Quebec City, Montreal, Halifax, Boston, Nantucket, New York	5
Society Expeditions (Seattle)	Society Explorer	90	8	Newfoundland, Cape Breton, Maagdalen Islands, Charlottetown, Sable Island, Bermuda	1
Special Expeditions (New York)	MS Polaris	82	14	St. John's, St. Pierre, Cape Breton Highlands, le Bras d'or, Sable Island, Annapolis Royal, Campobello Island, Jonesport, Nantucket, Gloucester, Sydney	3

Source: B.C. Steamship Guide

4. Rendezvous

Rendezvous is currently planning to purchase a vessel capable of handling approximately 700 passengers. The proposed vessel would be a Canadian flag ship and be used for cruises in the Gulf Islands in the summer. In the remaining months of the year, the vessel would be deployed to other destinations including Mexico, the Caribbean and the South Pacific. Due to the lack of sufficient financing at this time, the start-up date of this operation is also uncertain.

5. Coast Ferries Limited

Coast Ferries Limited of Vancouver, which currently operates freight barges along the B.C. coast, has attempted to refit one of its freight vessels, the Chilcotin Princess, in order to offer unique multi-day multi-port tours of the Inside Passage of B.C. While advance bookings have indicated a strong demand for the proposed cruises, the company has not yet been able to obtain sufficient financing for the venture.

As indicated above, there is considerable interest at the present time in establishing overnight cruises in B.C. waters by a number of different proponents. However, all four groups that have proposed the use of Canadian-flag vessels have experienced problems in raising sufficient financing for their ventures. One of the major constraints is the lack of sufficient bank financing for the purchase of ships. In addition, there is a lack of government programs that focus on the provision of financing for the purchase of cruise vessels.

B. CANADIAN/NEW ENGLAND CRUISE MARKET

The market for cruises in Canada/New England has increased significantly within the last three years. As indicated in Table 6.2, the Canadian/New England market is comprised of three market segments.

The luxury market segment is served by cruise lines with large vessels such as Cunard, Royal Cruise Lines and Royal Viking Lines. The number of sailings by these cruise lines in the Canada/New England market is very limited. As an illustration, the Sagafjord (Cunard) and the Royal Odyssey (Royal Cruise Lines) made 1 and 2 round trips, respectively, in the Canada/New England area in 1987. Both of these vessels embarked from the U.S. and traveled to Montreal.

The second major segment of the Canada/New England market consists of the economy segment. Some of the major cruise lines serving this segment are Bermuda Star Line, American Canadian Line and Thompson Vacations. The size of vessel employed ranges from 72 to 715 passengers for the New Shoreham II and the Canada Star, respectively. The average per diem of these lines varies from $85 to $145. The rate is much lower than the luxury market segment whose per diem rates are in the range of $185 to $245 for this cruise destination.

The third market segment is adventure cruises. As indicated, the major cruise lines are Special Expeditions and Society Expeditions. The size of these vessels is small ranging from the 82 passenger M.S. Polaris to the 90 passenger Society Explorer.

C. RELEVANT LEGISLATION

The following paragraphs contain a description of the relevant legislation regarding the establishment and operation of cruises based in B.C. waters. A more detailed description can be found in the document entitled "Review of Legislation of the B.C. Cruise Ship Industry".

1. Cabotage

As indicated previously, foreign flag vessels operating solely in B.C. waters would have to pay duty and obtain an annual licence that would be subject to the availability of Canadian flag vessels under the proposed Bill C-52. The licensing/duty provisions, therefore, are designed to permit and encourage Canadian-flag vessels and Canadian-built vessels to operate in the coasting

trade on a preferential basis. However, Canadian-flag vessels have not proven particularly successful in the past in the British Columbia/Alaska trade. Development of British Columbian cruising is in its infancy, and it is possible that its growth will be significantly impeded by the Canadian cabotage rules.

Taking into account the relevant U.S. and Canadian legislation, it appears that the most cost effective method for a foreign flag operator to cruise British Columbian waters is to base the vessel in a U.S. port and to offer the following cruises - Canada/U.S., U.S./Canada, and round trip U.S. Waivers and licenses would not be required and duty/tax free operation would be permitted.

2. Employment

A key component of Canada's employment policy is the reservation of all jobs in Canada for permanent residents and citizens of Canada. The regulations read as follows:

> ".... no person, other than a Canadian citizen or permanent resident shall engage or continue in employment in Canada without a valid and subsisting employment authorization."

However, this provision does not apply to:

> ".... a person who seeks entry .... as a member of the crew of a vehicle of foreign ownership or foreign registry engaged predominantly in the international transportation of goods and passengers ...."

A foreign-flag vessel cruising exclusively in British Columbia waters would be subject to intervention by the Department of Employment and Immigration. Positions on board would have to be made available to Canadian residents under acceptable terms and conditions. Wage scales would be imposed and these would be comparable to those available in British Columbia for seafarers and the hotel industry, as appropriate. Because Canadian wage scales are considerably higher than the wages currently paid by most foreign-flag vessels, a foreign-flag vessel operating solely in B.C. waters would incur significantly higher

operating costs as a result of having to pay Canadian wage rates and conditions.

The officers and crew of a foreign-flag vessel based in a foreign port (ex. Seattle) and operating round-trip cruises in British Columbian waters, however, may be exempt. The personnel involved would be viewed as accompanying a group of tourists organised outside of Canada and would not, therefore, be considered as employed as defined under Canadian legislation.

A Canadian-flag vessel engaged in international or domestic trade is required under the Canada Shipping Act to operate with predominantly Canadian officers. Under the Immigration Act, a Canadian-flag vessel operating in Canadian waters is required to operate with wholly Canadian officers and crew.

Under current employment legislation, the following scenarios apply:

i. Foreign-flag vessels with cruising itineraries restricted to British Columbian waters will be faced with Canadian crewing costs (on union scales).

ii. Canadian-flag vessels operating exclusively in British Columbian waters will be required to operate with Canadian officers and crew (on union or non-union scales).

iii. Foreign-flag vessels which operate from a British Columbian base port and include some international waters/ports in each cruise may be able to operate with foreign crew (and associated low costs), subject to a liberal view by the Department of Employment and Immigration.

iv. Foreign-flag vessels which operate from a U.S.-based port but have an otherwise exclusively British Columbian itinerary will be unrestricted by Canadian employment rules and can operate with foreign crew.

Under the employment regulations, therefore, the development of exclusively British Columbian cruises will involve Canadian wage costs on both foreign-flag and Canadian vessels. These high wage costs are a significant impediment to the development of cruises based solely in B.C. waters.

3. Purchase of foreign vessels for use in Canada

Any ship, including a passenger vessel, purchased for transfer to Canadian-flag is required to comply with Canadian regulations. The certificates essential for trading will not be issued until the vessel complies. Under Canadian regulations vessels which have been built, equipped, or maintained to a lesser standard than that applied in Canada will have to be upgraded. The most likely potential difficulty for passenger ships is in the area of structural fire protection, an area in which Canadian regulations are stringent and which can result in extensive structural modifications to the vessel in order to comply.

The transfer of a ship to a Canadian-flag requires that vessels be extensively surveyed and subsequently approved by the Canadian authorities before the national trading certificates are issued. These surveys cannot take place before vessels have been approved for registration in Canada.

The potential purchaser of a vessel to be transferred to Canadian-flag must, therefore, ascertain what work and modification is required to bring the vessel up to Canadian standards. More often than not, vessels will only be available for inspection at a distant overseas port. Obviously, this assessment should be done before a purchase committment is made, as the viability of the project cannot otherwise be established, in view of the possibility of expensive structural modifications. Transport Canada Inspectors may be dispatched to vessels at the request and expense of the purchaser to confirm these requirements, after the registration approval is granted. Subsequent inspection and approval of the work done will be required before vessels can trade under Canadian- flag.

This procedure tends to be cumbersome and can involve expensive logistics. It can also destroy the commercial opportunism which is often inherent in a ship purchase, particularly when competing purchasers do not face similar restrictions.

4. Pilotage

Canadian pilotage is operated under the authority of the Pilotage Act. The Pacific Pilotage Authority (PPA) is a federal government crown corporation located in Vancouver and is empowered to manage all pilotage services within the Pacific Pilotage Region. The Pacific Pilotage Region effectively incorporates all of the coastal waters of British Columbia. Pilot boarding stations operate at Brotchie Ledge (Victoria), Cape Beale (west coast Vancouver Island) and Triple Island (northern limit of area off Prince Rupert). Pilot boats also operate at Sand Heads (mouth of the Fraser River) and Nanaimo. The PPA handles matters such as licensing, dispatch, pilot boats and tariff applications. The PPA directly employs eight pilots who provide services on the Fraser River, and contracts with the British Columbia Coast Pilots Ltd (BCCPL) for the services of the 103 pilots who cover the rest of the Coast.

The over-riding consideration behind the pilotage system is safe navigation of the complex and sometimes hazardous waters of British Columbia. All vessels over 350 gross tons operating in the waters of British Columbia are subject to compulsory pilotage, with limited exemptions and waiver possibilities. The waiver and exemption regulations are drafted with the specific intention of restricting navigation without a pilot to very specific circumstances where extensive familiarity with the intended waters can be expected to ensure reasonable safety.

The Act and regulations provide for the issue of pilotage certificates to qualifying ship's officers who are Canadian residents. The holder of a pilotage certificate is able to substitute for a licensed pilot within the designated region. In practice, the PPA does not issue pilotage certificates;

it relies upon exemptions and waivers addressed in the regulations to provide regular callers with an exception to compulsory pilotage.

The regulations provide for an exemption for vessels under 10,000 gross tons where the deck officer who has conduct of the vessel is properly certificated and experienced. In addition, the PPA may waive compulsory pilotage for a vessel subject to the deck officer, who has conduct of the vessel, being properly experienced and certificated.

The pilotage tariff is generally reflective of the contract between the PPA and BCCPL. The relatively high cost of pilotage per passenger berth is a significant factor weighing against smaller cruise vessels. Based on a sample B.C. itinerary which has been costed for pilotage, the daily cost of pilotage per berth is approximately $20 for a 120 berth vessel and $10 for a 250 berth vessel. Extrapolation for a 1,400 berth vessel reduces the daily cost to approximately $2 per berth. As a result, pilotage costs are higher for the smaller foreign-flag pocket cruise vessels which are likely to be the most suitable for B.C. cruise markets.

C. OPPORTUNITIES FOR B.C. BASED CRUISES

In order to determine the demand for cruises solely in B.C. waters, we contacted all of the major cruise lines in North America. We also contacted the majority of cruise lines that currently operate smaller ships in North America in order to determine the market potential to deploy their ships in B.C. waters. Our survey results for both large and small vessels are summarized below.

LARGE SHIPS

The responses obtained from our survey of major cruise lines regarding the potential to establish cruises using large vessels of over 300 passenger capacity in B.C. waters are summarized below:

1. The general consensus of the cruise lines contacted was that B.C., as a cruising destination, was not sufficiently well known to Americans at this time to function alone as a cruise destination for large vessels.

   The major drawback is the lack of awareness and appeal of B.C. as a cruising destination. A substantial advertising program would first have to be undertaken to increase the awareness of B.C. as a cruising destination before it could be considered as a stand-alone destination without using Alaska as the primary appeal.

2. The majority of cruise lines contacted felt that the B.C. cruise destination would appeal primarily to a regional market rather than the overall U.S. market at this time.

   As a result, the number and size of vessels that could be supported by the B.C. market is presently limited to the size of the local market.

3. The cruise lines, however, indicated that there may exist potential for a 3 to 4 day Seattle/B.C. cruise in the short to medium term.

   The target market for this length of cruise is the economy market segment. Due to the short length of the cruise, the price would have be low. As a result, the cruise would be attractive to individuals taking their first cruise.

   The target market for the 3 to 4-day Seattle/B.C. cruise would be primarily regional because the cost of longer air flights would be prohibitive for such a short cruise. As a general rule, the geographic area that could be supported is limited to a maximum of two hours flying time for a short cruise package. Consequently, the potential market area for a Seattle/B.C. economy cruise would be Western Canada and the U.S. West Coast. Depending on the

availability of discount air fares, this market area could be extended in some instances.

The opportunities to establish a 3 to 4-day Seattle/B.C. cruise are likely to increase substantially as the new ships that are on order are completed and displace older ships. The most appropriate vessel for such a cruise would have a capacity of between 500 and 700 passengers.

4. One method of enhancing the appeal of a 3 to 4 day Seattle/B.C. cruise would be to combine the cruise with a 2 to 3 day land package in Vancouver/Victoria.

   As noted previously, the first-time cruiser, which is the primary target market, prefers to purchase a combined cruise plus land package.

5. The most likely gateway port for a U.S./B.C. cruise would be Seattle for two reasons:

   a. The cost of air fares to Seattle are lower than to Vancouver, especially in the United States.

   b. The most effective manner for a foreign-flag cruise vessel to avoid Canadian cabotage and associated restrictions (under the Canada Shipping Act and Bill C-52) is to operate from a U.S. port.

      Vancouver could, however, serve as a gateway port if a Canadian-flag vessel was used. However, it would also be necessary to have more economical airfares from Vancouver to U.S. cities before Vancouver could be considered.

A typical itinerary for a 3 to 4-day Seattle/B.C. cruise would be embarkation in Seattle and include ports such as Victoria, Nanaimo,

Campbell River and Vancouver. One of the highlights of the cruise could be the extensive fjord system in Desolation Sound. The cruise could then return back to Seattle via Powell River and Vancouver.

In summary, there is an emerging opportunity to establish a Seattle/B.C. economy cruise. While the current market is likely to be small, the market is projected to grow as the overall demand for cruising increases. In addition, the increased availability of older ships in the next few years will provide a supply of economical vessels for this market segment.

SMALL SHIPS

In order to assess the potential of B.C. as a destination for smaller or pocket vessels, we contacted 12 of the cruise lines that currently operate small ships in North America. Our major findings are as follows:

1. The overall trend in the industry is toward the construction of very large cruise vessels and small ships.

   Large ships offer economies of scale and are intended to cater to the less affluent and more inexperienced cruiser. Small ships will be required to cater to the experienced cruisers.

2. At the present time, the market for cruises in smaller ships is relatively small.

   Over the long-term, however, industry experts project a growing demand for small ships to cater to experienced and upscale cruise passengers. Therefore, the market will grow as more and more people become experienced cruisers. The smaller ships are desired because they provide a more intimate experience and go to places where the large ships are prevented from due to their size.

TABLE 6.3

IMPACT OF AGE AND CRUISING EXPERIENCE ON THE SIZE OF SHIPS PREFERRED

Degree of Experience	Small Ships	Mid-Sized Ships	Large Ships
Light	16.3%	17.1%	24.7%
Medium	48.7%	63.0%	64.0%
Heavy	35.0%	19.9%	11.3%
Age			
Under 40	23.6%	32.5%	40.7%
40 to 65	48.3%	53.2%	51.3%
Over 65	28.1%	14.2%	8.0%

Source: Cruise Shipping '88 - A Seatrade Conference; cassette

The preference for smaller ships by the more experienced cruisers is illustrated in Table 6.3. As indicated, the preference for smaller ships also increases with the age of the cruiser. With the aging of the population and a growing pool of experienced cruisers, therefore, the demand for cruises in smaller ships is projected to increase.

3. Pocket cruises are well developed in other parts of the world such as the Mediterranean, Scandinavia and Hawaii.

   As shown in Table 6.2, development of the cruise market in eastern Canada has also been undertaken partially through the use of smaller ships.

4. The pocket cruise companies contacted indicated a much greater interest in B.C. as a destination than did the major cruise lines contacted.

   The companies that expressed the greatest degree of interest were the adventure cruise lines that focussed on natural attractions and visits to isolated and remote destinations.

5. A number of the pocket cruise lines contacted indicated that potential exists to establish cruises based on the extensive fjord system along B.C.'s coast.

   The most popular areas for cruising destinations are likely to be the Queen Charlotte Islands, Desolation Sound and Fjordland near Bella Bella. As a general rule, a cruise destination has greater appeal if it is difficult to access by land. Based on this assumption, cruises to Queen Charlotte Islands and the fjords near Bella Bella are likely to be more popular than adventure cruises that travel the southern B.C. Coast from Vancouver to Victoria and Seattle.

The rationale is that people are not willing to pay a high price and are less reluctant to go on cruises that they can easily travel to on their own accord. The selection of remote cruise itineraries is an especially important factor in trying to attract the local population as they have even better access to most locations in southern B.C.

6. The major target markets for pocket cruises in B.C. waters are California, Southeastern U.S., U.S. Pacific Northwest and Western Canada.

   California is the largest market for B.C. pocket cruises because:

   a. It contains the largest population of the four target markets.

   b. California contains more experienced cruisers than any other area in the U.S.

      As mentioned previously, experienced rather than first-time cruisers are the primary target customers for small ships.

   c. The California market is less price sensitive than the local market thereby increasing the ability to charge the higher per diem rates required to operate a smaller ship.

   A secondary market is the southeastern U.S. states such as Florida. This market contains a considerable number of experienced cruisers and they are very familiar with cruising because of the large number of cruise lines based in Miami. In addition, a cruise in cool clear waters appeals to this market because it provides a means for them to escape from the hot humid summers usually experienced in the southern U.S. Therefore, this market is ideal because it seeks out cooler climates during the prime season for cruising in B.C.

Another secondary market is western Canada and the U.S. Pacific Northwest. This market is not as large as the California market because of the smaller population and less experience with cruising. In addition, it will be more difficult to obtain high per diem rates from this market.

7. One potential market for pocket or adventure cruises consists of convention delegates in B.C.

According to convention industry representatives, the cruise industry has had limited success in selling cruises as an adjunct to conventions. As a rule of thumb, cruise lines have been successful in attracting approximately 5% of delegates to take a cruise before or after a convention.

While the convention market appears small, it will contribute to the overall viability of B.C.-based cruises. Furthermore, because a considerable number of conventions occur in the spring and fall, the load factors in the shoulder months of the cruising season can be increased.

8. One constraint to B.C.-based pocket or adventure cruise vessels is the high cost of repositioning the vessels to warmer destinations in the off-season.

Because the B.C. cruising season lasts from May to September, the pocket cruisers would have to be repositioned to warmer climates for the balance rest of the year. Due to the small size of these ships, it can be uncomfortable and slow for them to travel over rough waters along the U.S. West Coast. In addition, the costs to travel to other markets such as the South Pacific or Caribbean are high and thereby reduces the viability of B.C. as a cruise destination.

9. Another constraint to pocket or adventure cruises in B.C. is the high cost of pilotage fees on a per passenger basis.

   The development of pocket cruise vessel operations in British Columbian waters could be significantly hampered if the vessels concerned are subject to pilotage. Using an example of a non-exempt foreign-flag operation based in Seattle and trading in British Columbian waters, the weekly pilotage bill would be in excess of $16,000. This translates into a cost per passenger of $139 for a 7 day-trip. Alternative itineraries could be arranged which would reduce the number of pilots required per leg from two to one by limiting daily water transits to a single maximum eight hour movement. However, it would be at the expense of cruise content.

In summary, there appears to exist an immediate opportunity to attract smaller vessels to offer cruises based on B.C. as the primary destination. Because the size of the market for cruises in B.C. waters is relatively small at this time, this market is best served initially by smaller vessels. The major cruise destinations in B.C. that should be promoted are the extensive fjord system along B.C.'s coast (e.g., Fjordland near Bella Bella) and the Queen Charlotte Islands.

The market for B.C.-based cruises is projected to grow as the pool of experienced cruisers in North America increases. In order to attract this market of experienced cruisers, however, the awareness of B.C. as a cruising destination will have to be increased.

D. USE OF CANADIAN VERSUS FOREIGN FLAG VESSELS

The alternatives available to establish cruises based in B.C. waters are to use foreign-flag vessels or Canadian-flag vessels. A comparison of the advantages and disadvantages of using Canadian-flag vessels as compared to the use of foreign-flag vessels is provided below:

Advantages

1. The economic impact of a Canadian-flag vessel would be considerably greater because Canadian labour would be employed.

2. Because a Canadian-flag ship itinerary could include only B.C. ports, all passenger and vessel expenditures would be in B.C.

3. Pilotage fees could possibly be eliminated for a vessel under 10,000 GRT by employing qualified Canadian deck officers.

4. Bill C-52 effectively allows Canadian-flag vessels priority access to cruise in B.C. waters and can restrict access by foreign ships if Canadian-flag ships are available.

Disadvantages

1. Canadian wages are higher than those of most foreign-flag vessels. As a result, the operating costs of a Canadian-flag vessel would be higher.

2. The Canadian standards of ship construction and maintenance are higher than those applied to foreign-flag vessels with the result that capital and operating costs are higher.

3. The cost of fuel in B.C. is higher than in Seattle.

   As a result, the operating costs of a Canadian-flag vessel based in B.C. would be higher than a foreign-flag vessel based the in U.S.

4. A Canadian-flag vessel would have difficulty competing with a foreign-flag vessel on other cruise routes during the off-season.

It is not possible to operate a Canadian-flag vessel in B.C. on a viable basis for just five months of the year. As a result, the vessel would have to be redeployed to other destinations in the winter and be in competition with lower cost foreign-flag vessels on these routes.

As indicated above, it would be difficult for a Canadian-flag vessel to compete with a foreign-flag vessel due to higher operating and capital costs. However, the benefits to B.C. from a Canadian-flag vessel are greater than a foreign-flag vessel.

In order to determine whether foreign or Canadian-flag vessels are more appropriate for B.C. pocket cruises, a more detailed analysis of the viability of B.C. pocket cruises using Canadian-flag vessels would have to be undertaken. This viability study is also necessary in order to determine whether the existing legislation is necessary to protect the local cruise market for Canadian-flag vessels.

Given the higher operating costs and the lack of success of Canadian flag vessels in the past, the development of cruises in B.C. using both Canadian and foreign-flag vessels should be encouraged at this time in order to accelerate the rate of development of the industry. One of the major constraints to the development of B.C.-based cruises using foreign-flag vessels, however, is Bill C-52 which has been through its committee stage and is expected to receive its third reading in April, 1988. As mentioned previously, foreign-flag vessels under 250 berths embarking from B.C. ports will be subject to licencing procedures and duty and access will be subject to non-availability of suitable Canadian ships. As a result, foreign-flag vessels offering B.C. cruises will be encouraged by Bill C-52 to embark from U.S. ports in order to obtain long-term access to the market.

E. DEVELOPMENT STRATEGY

The development strategy that should be employed with regard to the establishment of B.C. based cruises is as follows:

Pocket or Adventure Cruises

1. The most immediate opportunity is to promote the development of pocket or adventure cruises in B.C.

2. In order to promote the development of B.C. based cruises, the awareness of cruise lines with small vessels of destinations in B.C. must be increased.

   Accordingly, the manual entitled, B.C. Ports and Cruise Destinations, should be sent to all pocket cruise lines in North America. A list of the major pocket cruise lines in North America is provided in Appendix 1.

3. The major cruising destinations in B.C. that should be promoted initially are the Queen Charlotte Islands and the extensive fjords system along B.C. north coast, especially the areas near Bella Bella and Desolation Sound.

4. The major target market for B.C.-based pocket or adventure cruises is California while secondary markets include the southeastern U.S., U.S. Pacific Northwest, and Western Canada.

5. The adventure cruises based in B.C. should feature outdoor excursions in order to cater to the more active cruise passenger.

6. The target market should be elderly, affluent, experienced cruisers, because this market prefers smaller ships. In order to be viable, the per diem charged must also be high.

Economy Cruises

7. In the medium term, the development of mini 3 - 4 day Seattle/B.C. economy cruises should be encouraged.

   To do so, the manual entitled, B.C. Ports and Cruise Destinations, should be sent to all cruise lines that currently offer such cruises as well as cruise lines that have excess ships once the new ships under construction are completed.

8. The major target market for the 3 to 4-day Seattle/B.C. cruise is the population base within 2 hours flying time of the embarkation port.

   The embarkation port for the 3 to 4-day cruises could be Seattle or Vancouver, although Seattle would be favoured due to its lower air fares for U.S. markets.

9. The major target market for the 3 to 4-day cruise would be first time cruisers.

   In order to appeal to as broad a market as possible, the per diem rates should be lower than rates charged by the luxury market segment.

In order to accelerate the development of the market for cruises based solely in B.C. waters, it will be necessary to encourage both Canadian and foreign flag vessels to operate in B.C. waters. The specific steps required to assist Canadian flag vessels to undertake cruises in B.C. waters are as follows:

Canadian-Flag Vessels

1. A detailed viability study of Canadian-flag cruise vessels should be undertaken in order to determine whether there is a need to continue with legislation to protect Canadian-flag vessels.

This viability analysis should include the following components:

a. The comparative cost of a new cruise vessel built in Canadian and overseas ship yards.

b. The comparative costs and viability of a duty-paid Canadian-flag cruise ship.

c. The comparative costs and viability of a non-duty-paid Canadian-flag cruise ship.

As part of the above study, it is recommended that an assessment be made of the comparative costs and viability of operating a cruise vessel under the Canadian second register proposal (presently under investigation by Transport Canada). This proposal seeks to establish a second registry whereby Canadian ships in international trade would be allowed to operate in a tax-exempt environment.

2. If the study indicates that Canadian flag vessels are viable for B.C. cruises, greater attention must be given to providing financing for the purchase of cruise vessels by Canadian companies.

3. In order to reduce the capital costs of ship modifications, Transport Canada should accept international marine standards of structural fire protection for foreign vessels that are being purchased for use as Canadian-flag vessels.

4. Transport Canada should allow internationally recognized classification societies to perform surveys in other countries for Transport Canada on an agency basis to facilitate the purchase of foreign-flag vessels for transfer to Canadian registry.

In order to encourage foreign-flag vessels to operate cruises solely in B.C. waters, the legislative and regulatory changes required are as follows:

Foreign-Flag Vessels

5. The Pacific Pilotage Authority should be requested to develop a method to reduce the pilotage charges for small cruise vessels. This change would facilitate the development of the adventure cruise segment of the industry.

6. In order to encourage foreign vessels to use B.C. gateway ports for B.C. cruises, immediate attention must be given to amending Bill C-52 before it is proclaimed.

   The amendment required is a geographical exemption from the licencing procedures for foreign-flag cruise vessels and non-duty-paid Canadian vessels in B.C. A comparable exemption from existing duty and taxes should also be obtained.

7. The Department of Employment and Immigration should amend the existing employment regulations to allow foreign-flag vessels that are seasonally based in B.C. waters to employ non-Canadian labour.

   Provision should be made, however, for the first right-of-access for Canadians to these positions but at the prevailing wage rates and conditions on-board foreign-flag vessels.

8. The concept of operating a foreign-flag cruise vessel under Canadian ownership within the International Shipping Corporation concept, as recommended by the Sletmo Task Force, should be considered. This concept provides tax-exempt status for Canadian companies established to own and operate foreign-flag vessels in international trade.

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APPENDIX I

LIST OF CRUISE LINES

DON FERENCE
& ASSOCIATES LTD.

LIST OF CRUISE LINES

A. ALASKA LUXURY CRUISE LINES

	Company	Vessel	Passenger (capacity)
1.	Admiral 1220 Biscayne Blvd. P.O. Box 010882 Miami, Fl. 33101 Ph. 305-374-1611	Stardancer Emerald Seas	1,300 980
2.	Costa Cruises 1 Biscayne Tower Miami, Fl. 33131 Ph. 305-358-7325	Daphne Enrico Costa Euginio Costa	400 700 1,100
3.	Cunard 555 Fifth Ave. New York, N.Y. 10017 Ph. 212-880-7500	Sagafjord Sea Goddess I & II Countess Princess Queen Elizabeth 2	589 120 750 802 1,970
4.	Exploration Cruise Lines 1500 Metropolitan Park Bldg. Seattle, Wa. 98101 Ph. 206-624-8551	Explorer Starship Glacier Bay Explorer Great Rivers Explorer Executive Explorer North Star	250 60 92 49 158
5.	Hapag-Lloyd 17 Battery Place, Ste.660 New York, N.Y. 10004 Ph. 212-785-5552	Europa	600
6.	Holland America 300 Elliott Ave. W. Seattle, Wa. 98119 Ph. 206-281-1970	Nieuw Amsterdam Noordam Rotterdam	1,200 1,200 1,114
7.	Princess Cruises 2029 Century Park East Los Angeles, Ca. 90067 Ph. 213-553-7000	Island Princess Royal Princess Sea Princess	600 1,200 650
8.	Regency Cruises 260 Madison Ave. New York, N.Y. 10016-2401 Ph. 212-927-4499	Regent Star Regent Sea	710 960

DON FERENCE
& ASSOCIATES LTD.

	Company	Vessel	Passenger
9.	Royal Cruise Line 1 Maritime Plaza, Ste.660 San Francisco, Ca. 94111 Ph. 415-956-0925	Golden Odyssey	350
10.	Royal Viking Line 750 Battery St. San Francisco, Ca. 94111 Ph. 415-398-8000	Royal Viking Star Royal Viking Sea Royal Viking Sky	710 710 710
11.	Sitmar 10100 Santa Monica Blvd. Los Angeles, Ca. 90067 Ph. 213-553-1666	Fairsea Fairsky Fairstar Fairwind	906 1,200 1,300 925
12.	Society Explorations 3131 Elliott Ave. Seattle, Wa. 98121 Ph. 206-285-9400	Society Explorer World Discoverer	100 140
13.	World Explorer 555 Montgomery St. San Francisco, Ca. 94111 Ph. 415-222-2255	Universe	550

B. OTHER NORTH AMERICAN CRUISE LINES

1.	Aloha Pacific 510 King St., Ste. 501 Alexandria, Virginia 22314 Ph. 703-684-6263	Monterey	600
2.	American Star Lines 660 Madison Ave.,Penthouse New York, N.Y. 10021 Ph. 212-644-7900	Betsy Ross	450
3.	American Hawaii Cruises 550 Kearney St. San Francisco, Ca. 94108 Ph. 415-392-9400	Constitution Independence	798 798
4.	Apple Vacations 606 E. Baltimore Pike Media, P.A. Ph. 215-565-7550	Galileo	861

DON FERENCE
& ASSOCIATES LTD.

	Company	Vessel	Passenger (capacity)
5.	Baltic Shipping International Cruise Ctre. 185 Willis Avenue Mineola, N.Y. 11501 Ph. 516-747-8880	Ilich Baltika	345 N/A
6.	Bermuda Star Line 1086 Teaneck Rd.,5th Fl. Teaneck, N.J. 07666 Ph. 201-837-0400	Bermuda Star Veracruz	880 703
7.	Carnival Cruises 5225 N.W. 87 Ave. Miami, Fl. 33166 Ph. 305-599-2200	Mardi Gras Carnivale Celebration Festivale Holiday Jubilee Tropicale	906 950 1,850 N/A 1,260 1,850 1,022
8.	Chandris 900 Third Ave. New York, N.Y. 10022 Ph. 212-750-0044	Britanis Amerikanis Galileo The Victoria The Azur Romanza	1,970 605 861 550 686 727
9.	Commodore Cruise Lines 1007 N. American Way Miami, Fl. 33132 Ph. 305-358-2622	Caribe I	900
10.	Crown Line P.O. Box 3000 Boca Raton, Fl. 33431 Ph. 305-394-7450	Viking Princess	700
11.	CTC Lines 185 Willis Ave. Mineola,N.Y. 11501 Ph. 212-517-8346	Leonid Brezhnev Taras Shevchenko Fedor Shalyapin	600 730 800
12.	Cycladic Cruises 370 Lexington Ave. New York, N.Y. 10017 Ph. 212-697-5647	City of Hydra City of Myconos City of Rhodes	500 370 510
13.	Fred Olsen Lines 505 Fifth Ave. New York, N.Y. 10017-4983 Ph. 212-986-2711	Bolero Borgen Breamar	N/A N/A N/A

DON FERENCE
& ASSOCIATES LTD.

	Company	Vessel	Passenger (capacity)
14.	Home Lines 1 World Trade Ctre Suite 3969 New York, N.Y. 10048 Ph. 212-775-9041	Atlantic Homeric	1,092 1,260
15.	Intercruise Cloud Towers Inc. 645 Fifth Ave., Ste.504 New York, N.Y. 10022 Ph. 212-563-2400	Le Palma	801
16.	Ocean Cruise Lines 1510 S.E. 17th St. Ft. Lauderdale, Fl. 33316 Ph. 305-764-5566	Ocean Islander Ocean Princess	250 500
17.	Pearl Cruise Lines 1700 Montgomery St.,Ste.320 San Francisco, Ca. 94111 Ph. 415-391-7800	Ocean Pearl	650
18.	Premier Cruise Lines 101 George King Blvd. P.O. Box 573 Cape Canaveral, Fl. 32920 Ph. 305-783-5061	Star/Ship Royale Star/Ship Oceanic	1,100 1,500
19.	Royal Fiesta 111 2nd Ave. N.E.,Ste.104 St. Petersburg, Fl. 33701 Ph. 813-447-8785	Fiesta Princess	740
20.	Royal Caribbean 903 South American Way Miami, Fl. 33132 Ph. 800-245-7225	Song of Norway Song of America Sun Viking Sovereign of the Seas Nordic Prince	1,070 1,414 880 2,276 1,056
21.	Salen Lindblad 133 E. 55th St. New York, N.Y. 10022 Ph. 212-751-2300	Ambassador Island Explorer	198 36
22.	Sally Line Forest Green Travel 1200 Eglinton Ave. E.,Ste.706 Don Mills, Ont. M3C 1H9 Ph. 416-443-0555	Sally Albatross	1,100

DON FERENCE
& ASSOCIATES LTD.

	Company	Vessel	Passenger (capacity)
23.	Sea Venture 5217 N.W. 79 Ave. Miami, Fl. 33166 Ph. 305-477-4711	Sea Venture	360
24.	Sea Air Holidays 733 Summer St. Stamford, Ct. 06901 Ph. 203-356-9033	Amicitia Black Prince	N/A 559
25.	Sea Escape 1080 Port Blvd. Port of Miami Miami, Fl. 33132 Ph. 305-377-9000	Scandinavian Sky Scandinavian Star Scandinavian Sun	1,025 1,000 1,100
26.	Silja Line 505 Fifth Ave. New York, N.Y. 10017-4983 Ph. 212-986-2711	Wellamo Silvia Regina Svea	N/A N/A N/A
27.	Soviet Danube International Cruise Ctre. 185 Willis Ave. Mineola, N.Y. 11501 Ph. 516-747-8880	Ukraina Moldavia Dnepr Volga	640 170 170 170
28.	Sun Line 1 Rockefeller Plaza,Ste.315 New York, N.Y. 10020 Ph. 212-397-6400	Stella Maris Stella Solaris Stella Oceanis	186 620 318
29.	Transocean Lines Internatioal Cruise Ctre. 185 Willis Ave. Mineola, N.Y. 11501 Ph. 516-747-8880	Odessa Estonia	480 180
30.	Venice Simplon Orient 1 World Trade Centre Ste. 2565 New York, N.Y. 10048 Ph. 212-938-6830	Orient Express	800
31.	Victours 3710 Chesswood Dr.,Ste.209 Downsview, Ont. Ph. 416-630-0153	Ausonia	550

	Company	Vessel	Passenger (capacity)
32.	Yugotours 350 Fifth Ave. New York, N.Y. 10118 Ph. 212-563-2400	Azerbaidzhan	504

C. POCKET CRUISE COMPANIES

1.	American Cruise Line 1 Marine Park Haddam,Ct. 06438 Ph. 203-345-8501	America M/V Charleston M/V New Orleans M/V Savannah	87 125 140 125
2.	American Canadian Line P.O. Box 368 Warren, R.I. 02885 Ph. 401-247-0955	M/V Carribbean Prince M/V New Shoreham II	80 72
3.	Clipper Cruise Line 7711 Bonhomme Ave. St. Louis, Mo. 63105 Ph. 314-727-2929	New Tucket Clipper New Port Clipper	100 100
4.	Cunard 555 Fifth Ave. New York, N.Y. 10017 Ph. 212-397-6400	Sea Goddess I Sea Goddess II	120 120
5.	Epirotiki 551 5th Ave. New York, N.Y. 10176 Ph. 212-599-1750	Jason Neptune Argonaut Hermes	260 180 280 130
6.	Exploration Cruise Lines 1500 Metropolitan Park Bldg. Seattle, Wa. 98101 Ph. 206-624-8551	Colonial Explorer Executive Explorer Glacier Bay Explorer Great Rivers Explorer Majestic Explorer Pacific Northwest North Star Explorer Starship	96 49 60 92 88 80 158 250
7.	Galapagos, Inc. 7800 Red Road, Ste.112 South Miami, Fl. 33143 Ph. 305-665-0841	Buccaneer	90

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	Company	Vessel	Passenger (capacity)
8.	Great Pacific Cruise Lines 3600 15 Ave. W., Ste.A201 Seattle, Wa. 98119 Ph. 206-285-4010	Columbia	80
9.	Ivaran Lines, Norway One Exchange Plaza New York, N.Y. 10006 Ph. 212-809-1220	Americana	108
10.	K Lines Hellenic Cruises Olympic Tower 645 Fifth Ave. New York, N.Y. 10022 Ph. 212-751-2435	TSS Orion Constellation France	243 211 202
11.	KD German Rhine Lines Rhine Cruise Agency Ste. 317,170 Hamilton Ave. White Plains, N.Y. 10601 Ph. 914-948-3600	Europa Deutschland Italia Britania	138 208 192 210
12.	Maverick Cruises, USA Homeport, St. Thomas Ph. 809-774-5630	Maverick	468 tons
13.	Ocean Cruise Lines 1517 S.E. 17th St. Ft. Lauderdale, Fl. 33316 Ph. 305-764-5566	Ocean Islander	250
14.	Pacific Sea-Fari Tours 2803 Emerson St. San Diego, Ca. 92106 Ph. 619-226-8224	Spirit of Adventure Tradition	30 24
15.	Salen Lindblad 133 E. 55th St. New York, N.Y. 10022 Ph. 212-751-2300	Island Explorer Ambassador Donaustar	36 198 180
16.	Sea Air Holidays 733 Summer St. Stamford, Ct. 06901 Ph. 203-356-9033	Ursula II Rex Rheni	105 24
17.	Signet Cruise Line 55 Francisco St. San Francisco, Ca. 94133 Ph. 415-391-7444	Signet Pride	212

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	Company	Vessel	Passenger (capacity)
18.	Society Expeditions 3131 Elliott Ave.,Ste.700 Seattle, Wa. 98121 Ph. 206-285-9400	Society Explorer World Discovery	100 143
19.	Soviet Danube International Cruise Ctre. 185 Willis Ave. Mineola, N.Y. 11501 Ph. 516-747-8880	Moldavia Dnepr Volga	170 170 170
20.	Special Expeditions 720 Fifth Ave. New York, N.Y. 10019 Ph. 212-765-7740	Pacific Northwest	80
21.	Sun Lines 1 Rockefeller Plaza,Ste.315 New York, N.Y. 10020 Ph. 212-397-6400	Stella Maris Stella Oceanis	223 318
22.	Swan Hellenic 500 Fifth Ave. New York, N.Y. 10110 Ph. 212-719-1200	Orpheus	285
23.	Thomson Vacation Canada Ltd. 6299 Airport Road Mississauga, Ont. L4V 1N3 Ph. 416-676-9903	Jason	160
24.	Windstar Sail Cruise 7205 Corporate Ctre.,Ste.410 Miami, Fl. 33126 Ph. 800-263-0844	Windstar Wind Song Wind Spirit	150 148 148